Volume 10, No. 44 (Issue 409) November 17, 1980 ISSN 0110-6813

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

80 cents

Inside

Government moving to regulate health insurance

by Warren Berryman

THE burgeoning medical insurance industry is due for a major shakeup from Government.

Justice Department's Commercial Affairs Division has become concerned with the activities of small peripheral medical care societies which act like insurance companies without the same strict legal requirements imposed on them.

Some medical insurance companies, are registered as friendly societies. Some as industrial and provident societies. Others are registered as limited liability companies.

Insurance companies are required under the Insurance Companies Deposits Act to lodge up to $0.5 million in Government stock with the Public Trustee as a bond. Medical insurance companies, registered as friendly societies, or industrial and provident societies, are not required to post this surety.

Treasury's actuarial department, which administers the friendly societies, is reviewing the Friendly Societies Act. Legislation is expected soon.

Commercial Affairs is looking at the possibility of bringing all medical insurers under one act and one set of uniform rules.

Sources in the division fear the loose and confused nature of the present situation might allow back-door entry of fringe operators into this booming business.

Public health service sources are becoming increasingly concerned at the rapid growth of private health schemes, particularly at the effect they are having on public hospitals. Surgery has been shifting from public hospitals to private hospitals, particularly in Auckland.

The activities of health insurer, Capricorn International Credit Club, outlined in detail by the Consumers' Institute and *National Business Review*, appear to have been a catalyst in Commercial Affairs thinking.

According to one Commercial Affairs official: "Our insurance legislation is totally unsatisfactory. It's too vague. Other insurers have to post a bond. Why should health insurers be exempt?"

A health insurance company executive said: "In a growth industry such as this, the calculations allowing for revenue and future claims is very complex indeed".

Many in the industry feel the small fringe operators have neither the financial substance nor the actuarial experience necessary to run an insurance scheme with risk to the public.

Friendly societies, industrial provident societies and other incorporated societies escape the rigorous rules of accounting and disclosure placed on other companies.

The coming overhaul of these sorts of incorporated societies has implications for building societies and credit unions as well as for health insurers.

The large established health insurers such as Southern Cross and NZ Medi-Care will undoubtedly survive any legislative change. Smaller fringe operators probably will not.

That, apart from protecting the public from fraud or financial loss, is probably the object of the whole exercise.

The likely result is that health insurers will be classed as insurance companies which, despite their present confusing nomenclatures, they have always been.

Wanted: smelter alternatives

SUPPORTERS of the proposed Fletcher/Alusuisse primary aluminium smelter argue that there are no alternative development schemes which could provide national benefits as great.

But the argument that there are no good alternatives to the second smelter development seems to be a red herring. And the many successful business people, public servants, farmers and academics who read *NBR* must have hundreds of ideas for making use of our limited, though relatively cheap, energy resources and our surplus labour, either to create foreign exchange earnings or to lessen our dependence on foreign trade.

To encourage readers to spend a few hours jotting down their ideas, we will pay contributor's rates (1000 words = $60) for any ideas you send in that we print. These ideas will be judged in terms of their national benefit, their approximate rate of return, the number of new jobs created per $1000 invested, the likely foreign exchange benefit per job and per dollar of foreign investment.

Just for reference, the rate of return for the smelter is not known. So, do not be put off if you are uncertain about the exact rate of return of your idea. Capital investment per new job created has been estimated at levels higher than $1 million. And $1 of foreign exchange will be earned for each $10 invested.

The aluminium smelter is a fairly large-scale operation. But ideas for smaller scale development may be submitted with arguments showing why they would be good alternatives to the second smelter.

Readers' approximations will be sufficient for our purposes.

The second aluminium smelter will provide jobs for up to 2000 persons at peak construction.

Nearly 1000 persons will be employed on a permanent basis. They will use an average of three gigawatt hours of electricity per day or 3 million units annually to produce aluminium.

This amount of electricity would supply nearly 400 homes a year with electricity.

Each $260,000 of annual gross value of aluminium sales will directly support one job, on average.

The main national benefit from the second smelter, according to Government sources, will be net foreign exchange earnings of between $100 and $120 million. Some pundits estimate that these earnings may be closer to $50 million annually.

Direct benefits include new jobs created in the South Island and the return to local businesses from sales of goods and services to the smelter.

Indirect benefits include the flow-on effects of the new jobs that are created and the benefits from possible downstream developments. One source estimates that for every new permanent job at the smelter, just under two jobs are supported in the rest of the Southland economy (although in these recessionary times, these will be existing jobs, not new ones).

Suggested downstream developments do not appear likely to create many new jobs but may earn substantial foreign exchange.

Costs of the second smelter include substantial subsidies (mainly covering the price of electricity which is likely to be around 1.6 cents a unit while the cost of providing electricity may be over 4 cents a unit), increases in the consumer price of power and the requirement that areas like the Clutha be converted for hydro development.

Address your ideas for alternative developments to:
Alternatives
National Business Review
P O Box 9344
WELLINGTON.

Ideas must be between 250 and 1000 words, neatly written or typewritten on one side of the paper only. Please include your name, occupation and address. Entries become the property of *National Business Review* and will be returned only if a self-addressed, stamped envelope is enclosed.

The week

The business week

Airwork NZ Ltd has issued 188,288 new 50c shares.

APA Holdings Ltd: consolidated profit to August 31 was $1,284,000. A dividend of 5.5c will be paid on December 19.

ANZ Banking Group (New Zealand) Ltd: audited consolidated profit for the year to September 30 was $16,845,000 (last year $10,407,000). A final dividend of 7c is recommended, payable on January 29.

Australian Consolidated Industries Ltd has acquired a 21 per cent stake in **Canterbury Timber Products Ltd.**

Brierley Investments Ltd will make a 1:3 rights issue of 1,962,100 $1 ordinary shares at a premium of $1.50.

Cable Price Downer Ltd unaudited net profit for the six months to September 30 was $3,538,000 (last year $3,455,000). An interim dividend of 9 per cent will be paid on December 19.

CSR Ltd is offering ordinary shareholders 100 unsecured convertible notes at $8.25 paying 8 per cent for every 3000 shares held to raise $100 million.

Deanes Industries Ltd unaudited profit for the six months to August 31 was $244,929 (last year $554,715). An interim ordinary dividend of 5c will be paid on November 28.

Ernest Adams Ltd unaudited net profit for the six months to September 30 was $76,732 (last year $57,562). Sales were up 31 per cent. An interim dividend of 6c will be paid on December 11.

Gear Meat Co Ltd unaudited loss for the year ended October 1 was $5,123,000 (last year $319,000). Directors described the year as disastrous due to a combination of strikes, stock shortages, adverse market fluctuations and a continuing liquidity crisis.

Goodman Group Ltd will issue $3,029,243 $1 ordinary shares at $2 in the ratio of 1:4.

Healing Industries Ltd unaudited net profit for the six months ended September 30 was $1,319,648 (last year $1,047,340). An interim dividend of 4.75c – 9.5 per cent – is payable on February 16, 1981.

R & W Hellaby Ltd audited net profit for the year ended September 30 was $2,471,000 (last year $3,030,000). A final dividend of 8.5c will be paid on December 17.

Independent Newspapers Ltd unaudited consolidated profit for the six months to September 30 was $1,349,213 (last year $1,064,513). An interim dividend of 7c will be paid on December 2.

Marac Holdings Ltd unaudited net profit for the six months ended September 30 was $2,180,000. An interim dividend of 10c will be paid on January 5.

The National Insurance Co of NZ Ltd unaudited net profit for the year to August 31 was $3,630,000 (last year $5,877,000). The company will take over the portfolio of **Albion Insurance Co Ltd** which is pulling out of New Zealand from January 1. A final dividend of 11.5c is recommended, payable December 15.

New Zealand Farmers Co-op Association of Canterbury Ltd will issue $1,004,687 registered secured debenture stock with an interest range of 15.5-16 per cent.

Progressive Enterprises Ltd unaudited before tax profit for 24 weeks to September 14 was $2,453,000 (last year $1,999,000). An interim dividend of 5c will be paid on February 9. An extraordinary general meeting is being called for December 16 to seek shareholders approval to apply to the High Court to distribute a share premium of $1,023,000.

Quill Morris Ltd unaudited net profit for the six months to September 30 was $149,286 (last year $166,649). An interim dividend of 3.5c will be paid on November 28.

Revertex Industries (NZ) Ltd unaudited net profit for the six months to September 30 was $454,000 (last year $366,000). An interim dividend of 9c will be paid on December 8.

Rex Consolidated Ltd will issue 1,234,000, $1 convertible preference shares paying a dividend of 15 per cent.

Arthur Yates & Co Ltd will change is name to **Yates Corporation Ltd.**

Wilkins and Davies Construction Co Ltd unaudited net profit for the six months ended September 30 was $252,957 (last year $294,380). An interim dividend of 5.75c on preference and 7c on ordinary shares will be paid on November 17.

Wilson Distillers Ltd audited net profit for year to August 31 $91,498 (last year $4665).

Saturday shopping

SATURDAY shopping is now legal but retailers show a marked reluctance to open their doors, claiming sales will need to rise at least 15 per cent to make it worthwhile. Meanwhile butchers shops were closed as union members attempted to force proprietors not to open on Saturdays.

THE Goodman Group rejected a $30 million takeover bid made by Wattie Industries Ltd having earlier acquired a 19.9 per cent stake in the Hawkes Bay-based food giant, for approximately $20 million, offering $1.55 for each Wattie ordinary share and 92c for preference shares. The Examiner of Commercial Practices raised no objections to Goodman's limited bid but will investigate Wattie's takeover offer.

FRANCE vetoed with Irish support, a quick settlement of New Zealand's butter quota for 1981 and beyond.

THE meatworkers union rejected Auckland Farmers Freezing Co-op Ltd's offer to reopen two Southdown mutton chains until the end of March.

LEFT winger Michael Foot was elected leader of Britain's Labour Party in preference to moderate Denis Healy.

GOVERNOR-General Sir David Beattie hardly had time to get through the front door of Government House before, first, the Thomas Commission delivered its report and later the Marginal Lands Board inquiry delivered its interim report.

AUCKLAND'S monument to inept industrial relations, the Mangere Bridge should inch forward as Fletcher Construction set to work to fill the missing span next week.

Diners Club discussions

CONTINENTAL Corp of the United States, owner of Diners Club travel and entertainment credit card, has confirmed in New York that it is discussing the sale of the card to Citicorp.

Citicorp now owns Carte Blanche card.

Continental Corp had previously discussed the sale of Diners Club with several other companies.

Economic indicators

MONEY supply growth is easing. In the year to September 30 M1 grew by 10.1 per cent (last year 9.3 per cent) while the wider based M3 rose by 14.8 per cent (19.2 per cent).

THE net migration loss was 14,004, in the year ended August 31, a drop from 35,872 a year earlier. In August the net migration gain was 1516, three times last year's 498.

INPUT prices, excluding labour, rose 22.8 per cent in the September quarter over the same period last year. Figures for the June quarters were 23.2 per cent. Oil prices have been blamed for the increase.

UNEMPLOYMENT dropped by 1053 to 41,476.

The week ahead

WEDNESDAY: R W Saunders AGM in Christchurch.

Property Securities AGM: Wellington.

Society of Radiographers conference opens in Palmerston North.

THURSDAY: Ashby Bergh AGM in Christchurch.

Aviation Industrial Seminar starts in Bulls.

FRIDAY: George Court and Sons AGM in Auckland.

McKechnie Brothers AGM in New Plymouth.

Exchange Rates

Britain	.4403
United States	.9655
Canada	1.1439
Australia	.8274
Fiji	.7623
Austria	12.83
Belgium	29.22
China	1.4395
Denmark	5.6031
France	4.2275
Greece	42.64
Hong Kong	4.8956
India	7.3765
Ireland	.4875
Italy	861.83
Japan	204.2
Malaysia	2.0556
Netherlands	1.9836
New Caledonia and Tahiti	76.86
Norway	4.8162
Pakistan	9.4076
Portugal	49.82
Singapore	2.0021
South Africa	.7152
Spain	72.59
Sweden	4.1026
Switzerland	1.6905
West Germany	1.8221
Western Samoa	.8653

The week

Wattie bid hinges on food industry's 'homogeneity'

by Peter V O'Brien

THE Wattie Industries proposed offer for Goodman has several obstacles to overcome before it is effective.

Discussion last week was based on the attitude of the Examiner of Commercial Practices, and possibly the Commerce Commission, to a concentration of power in the food industry, particularly flourmilling, bakery products and other goods manufactured from flour or similar substances.

Two other matters are relevant to any proposal to bring Goodman into the Wattie. The first relates to Goodman's 19.9 per cent shareholding in Wattie. If Wattie were to make a bid and obtain control of Goodman, the Hastings based group would acquire the Goodman assets, which include 19.9 per cent of Wattie.

Section 40 of the Companies Act prohibits that situation: "...A body corporate cannot be a member of a company which is its holding company, and any allotment or transfer of shares in a company to its subsidiary shall be void".

The second part of that passage is irrelevant to the present case, but the first portion covers the point.

Protection of creditors is the main reason for the prohibition, because there is effectively a reduction of share capital (and thus liability) if a subsidiary holds shares in its parent.

Wattie's laywers will probably be able to find a way around that problem, but they will have to come up with a scheme because a company is unable to own shares in itself.

And it is likely that a possible scheme might need Court sanction under sections 205 and 207. The attitude of the Goodman board, major shareholders and sundry "friends" is the second obstacle.

Goodman has a reasonable spread of shareholdings, but the Goodman family interests, those of Colin Gunn (through Moana Estates), and various bakeries, previously owned by families around the country, own about 20 per cent of Goodman. The directors may be able to rally more support if they decided that they were opposed to Wattie's move, although potential opposition may not be forthcoming in view of the expressions of compatability expressed by Goodman directors when they made their offer for 19.9 per cent of Wattie.

Assuming that there was opposition, Wattie might be able to acquire a significant proportion of Goodman, but would be unable to invoke the compulsory acquisition provisions of section 208 of the act, which apply when 90 per cent of the shares have been transferred to the acquiring company.

The final question is the monopoly and elimination of competition provisions of the Commerce Act. The Examiner will makeup his mind on this in due course, and he might refer the matter to the Commerce Commission. In either case, the issue is not as simple as it was made to seem last week.

It comes down to whether the "food" industry is homogeneous, or whether it can be divided into component parts which have separate identities and can thus be treated in relation to other independent companies manufacturing the particular products.

The overlap in milling and in products manufactured from the mills' output.

And that is not an easy business in which to identify matters contrary to the public interest, because the amount of wheat sown is controlled, the price paid to the producer is controlled, the amounts used in particular mills are controlled, the price of the flour is controlled, the price of the bread (apart from "non-standard" lines) is controlled, and there are other bakeries throughout the country.

That issue is for the Examiner to determine, alone or by reference to the Commerce Commission, but the question of a homogeneous food industry might be similar to a claim that because Tasman uses wood to make pulp and paper, and Fletcher uses wood to manufacture building material, the Fletcher Challenge Corporation is operating in the same industry.

Air NZ looks at urgent modifications

by Lindsey Dawson

DESPITE recent route cuts Air New Zealand's domestic wing continues to lose heavily and the airline is looking at further "urgent modifications" to its schedule.

Airline sources say that more uneconomic routes will have to go. Of its 34 domestic routes only four are profitable and the airline is taking a wide-ranging look at the whole route structure.

Executives are understood to be firm in their desire to leave uneconomic runs to third level operators who, using smaller aircraft, take over and make a profit.

The Government has only just learnt of the airline's intentions and the company may have to do some hard talking to convince them of the need for more cost-cutting, especially as some cuts may have to come in politically sensitive areas.

Fuel and other costs have become so high, argues Air New Zealand, that it simply cannot continue losing at the present rate. Traffic on the main trunk route is not sufficient to support the short runs.

Early morning DC10 flights from Auckland to Christchurch frequently leave only half full and even some discount flights, some of which are cheaper than the mooted Skybus fares, are not being patronised.

Any further route cuts will have to go before the Air Services Licensing Authority. Air New Zealand's last application to the authority to change services was approved with only minor modifications.

The week

Factory health data may go to outside interests

by Allan Parker

INFORMATION gathered by Health Department officials during factory visits — now regarded as confidential — may be passed on to outside interests under legislative proposals now before a Parliamentary Select Committee.

A minor bill which amends the Health Act has important implications for industry by giving Health Department officials the power to report health-problem findings to employees, trade unions and the Accident Compensation Commission.

A second amendment relates to the control of genetic engineering research by companies.

Health Department officials now may inspect factories under provisions in the Factories Act. But they cannot legally pass on information to other interested parties — including any employees affected by health problems in the factory — without the employer's consent.

The intention of the amendment bill is to allow these officials to pass that information to outside interests.

These outside interests include the employee, his doctor, trade unions and the Accident Compensation Commission.

There have been problems in the past, for example, about accident compensation claims by employees injured in the workplace. Data gathered by inspecting departmental officers have not been available for employee compensation claims.

The department and Health Minister George Gair claim that the nature of or reasons for factory visits by the department will not change; rather, the amendment seeks only to allow information gathered to be released to other parties.

They say the power of entry will not be increased.

Introducing the bill, Gair told Parliament: "The extension of functions of the department has been fully discussed with the Department of Labour, the Employers Federation and the Federation of Labour, which all agree in principle to the proposals."

He also said: "All that . . . the Bill is proposing to do is extend the scope to disseminate the information collected in the course of visits which are now being undertaken. The nature of these visits will continue.

"It is only what happens to the information as a result of the visits that is affected by the bill. It is an extension on strictly medical grounds . . . and quite clearly it could be in the interests of employees that if the medical officer of health had information that he believed was in their medical interests or their union's interest to give then he should be free legally to pass it on. But at present he cannot."

This aspect of the proposed legislation is the main concern of employer groups. One source said there is a fear that the legislation will allow private health information about an individual employee to be passed to other parties without the individual's consent or knowledge.

That appears to be the main doubt about the value of the bill. Employer representatives agree that the health area is too critical to be ignored.

The sources who spoke to *NBR* were convinced that most Health Department officials engaged in industrial sector operations were aware of employer problems and wanted to ensure a safe occupational environment for their staffs.

The second amendment in the bill aims to control the production of bizarre organisms from genetic engineering research.

An outside business now may set up shop in New Zealand to research and develop pathogens — particularly in the genetic engineering field — that it would be barred from doing overseas. Most countries in the developed world have already instituted similar control procedures.

The proposed legislation arises from concern about genetic engineering research leading to the inadvertent or deliberate manufacture of bizarre and dangerous organisms.

A Department of Scientific and Industrial Research advisory committee made recommendations — since implemented — for guidelines to control such research within government institutions, such as universities and agricultural research groups.

Those guidelines are designed to prevent haphazard or inept research. But there are no such restrictions on large multinational industries that are likely to be involved in such research.

The proposed legislation allows for regulations to be brought into force to curb such development. It is being regarded as precautionary at this stage.

A Health Department spokesman said regulations, rather than legislation, are preferred because they can be brought into operation more swiftly.

"And if something like this arose, one has to move quickly to counter it."

Regulations made under the amended Act may prohibit or regulate work involving or producing such organisms "whether or not associated with the use of novel genetic techniques".

They may also be used to license, registrate or approve "persons, premises, or things in relation to such work".

Gair, introducing the bill, told Parliament: "The proposal is to give to the government the power to make regulations . . . if necessary. It may not be necessary, but it would be quite unsatisfactory that the government should not have the power . . . to make regulations in this area if some large organisation over which the government had no effective control — a multinational, for instance — wanted to develop that work in New Zealand."

Papers reject Aqua Avia ads

by Gordon McLauchlan

THE Skybus organisation claims that a recommendation by the Committee of Advertising Practices is inhibiting its campaign to enlist members and raise the money to start its proposed air services.

Skybus tried last week to insert an advertisement in the *Auckland Star*. A spokesman for the organisation claims he was told that no advertising would be carried until litigation involving Skybus and the Royal New Zealand Aero Club was resolved, following a recommendation to that effect from the committee.

The committee's rulings are generally accepted by all major newspapers, radio and television organisations.

Skybus spokesman Murray Purchase says this was the explanation given to him by the advertising manager of the *Auckland Star*, Malcolm McLeod.

Auckland barrister, Graeme Jenkins, who is conducting proceedings for the Aqua Avia Society Ltd (the Skybus organisation) against the RNZ Aero Club contacted the committee secretary, Noeline Morrison. She confirmed that the recommendation had been made. He says he told her that the object of obtaining an interlocutory injunction, granted by the High Court at Auckland earlier in the month, was that the *status quo* would prevail, pending the hearing of the substantive claim by Aqua Avia against the clubs.

There was therefore no reason, he says he told her, why impending litigation should have any effect at all on advertising in the media. He has written to the secretary enclosing a copy of the High Court ruling.

Purchase says he has been advised that the next meeting of the advertising committee is not due until early to mid December. By that time, the Skybus campaign to recruit members would be seriously prejudiced if all media advertising was stopped.

NBR contacted McLeod to confirm the reason for rejecting the advertising but he would say only that he could not give any information without consulting a higher authority in his organisation. "Nor could I provide any reason for declining an advertisement, if in fact we have declined one, without consulting at a higher level within the company".

The *Auckland Star*, and newspapers which are members of the Independent Newspapers group have previously carried Skybus ads. The *Herald* refused to accept one ad recently, on the reported grounds that it did not want to encourage its readers to subscribe to an organisation without some better indication that their investment was reasonably sound.

Editorial

NO longer will overseas visitors arrive in New Zealand at weekends to find that the place is closed. Parliament has provided, under legislation (pushed through in a typically unseemly rush last week) for shops to open between 7am and 9pm on Saturdays.

On the surface, it seems that the idea of Saturday shopping has been given a chilly reception. The trade unions clearly oppose it. Retailers remain divided. The weight of submissions to the select committee, which considered the Bill, was against reform.

The Government, however, has remained adamant that there is public demand for Saturday shopping. The test will be in the extent to which the public votes in favour with its spending money – and experience in Auckland, where Queen Street retailers have defied the law to open on Saturdays, suggests it will be highly popular. But if – as Labour leader Bill Rowling insisted – the legislation was a response neither to public demand nor economic need, then those shops which do open on Saturdays will soon go broke.

Labour's Eddie Isbey emotively described the legislation as a betrayal of all the pioneers of New Zealand who had fought for a shorter working day and working week, all the families who enjoyed a two-day weekend, and all the working women, particularly women shop assistants. His fear, obviously, is that shop workers will be forced to work at weekends. But just as the public ought to be free to decide if they want to shop on Saturdays, shop workers should have the freedom to determine when they work. Ensuring that freedom is a job for their union in award negotiations (and the nation's meat famine is evidence enough that the union has plenty of muscle to exercise in support of its case).

Last week, meat retailing employers seemed prepared to write into the butcher's award protection for existing shop workers, such as provisions that hours of work could not be varied without an employee's approval and that existing employees would not work Saturdays if they did not want to. But the unions must recognise the right of shop-owners to employ those who are willing to work on Saturdays in place of those who choose not to work. Indeed – if they are genuinely concerned to generate employment – they should welcome the weekend work opportunities (if only part-time).

Those employment opportunities are among a number of economic benefits that Saturday shopping should generate. Apprehensive retailers appear to be thinking in a static world which has a fixed quota of consumer dollars. A DIC executive, for example, envisages having to increase prices to compete (a curious idea of competition). But as consumers spend more, more wages for shop workers will be generated. So as more money is spent, more money will be created for either further spending or saving.

Shop-owners' fixed costs will increase if they open for one more day each week. But those shops will be making themselves more attractive to shoppers and will be able to compete more effectively for consumers' money that otherwise would go into savings. Thus while costs may increase by, say, 5 per cent in money terms, in real terms the likely benefit will be an increase in turnover.

More retailing activity in turn should stimulate more manufacturing (and thus create jobs).

Saturday shopping might increase productivity, for good measure. People are now obliged to shop during the Monday-Friday working week (and increasingly, married women are joining the work force). There is little doubt that a lot of this shopping is undertaken at the expense of employers because of the limited time available outside of normal working hours.

Above all, the legislation strikes a rare blow for the consumer. It is aimed at fostering the free enterprise and competition which business people typically approve of in principle but too often deny in practice.

The public's freedom to make its own purchasing decisions is something which entrenched liquor interests, for example, is intent on constraining in submissions to the select committee considering liquor law reforms. The Licensing Trusts Association opposes cafe licences, ancillary licences and proprietary club licences; opposes the liberalisation of trading hours of ancillary and club licences (but not, note, hotel hours), and advocates that cafe and proprietary licences be excluded from trust districts. The Hotel Association dismisses the idea of liquor licences for cafes as "a Continental concept totally alien to our New Zealand way of life". (Alien because rigid regulation has prevented the idea from taking hold). HANZ also opposes the new ancillary licence and some club licences and opposes the sale of liquor by chartered sports clubs for off-premises consumption. Both organisations assume that they know what is good for the consumer, but want to prevent the consumer from expressing a preference.

Competition is not only discouraged by widespread regulation and licensing; it is being reduced by a growing trend towards mergers, takeovers and the establishment of giant conglomerates. The Fletcher-Challenge merger will create a powerful corporate giant which will reach into most – if not all – commercial activity in the country through its numerous subsidiaries. Challenge chief Ron Trotter was at pains to impress on a press conference that the merger was aimed at promoting competition yet indicated that the rationalisation of Tasman and Fletcher timber interests was among the factors which justified the merger decision. The Wattie company's $30 million cash and share bid for the Goodman group, if successful, will give it awesome dominance of the food industry. Nathans has absorbed Woolworths and McKenzies chainstores to make it a formidable power in the supermarket business.

Perhaps these supermarkets will thrive in the weekend shopping atmosphere to the detriment of small businesses (although, if the shop workers' union succeeds in its aims in negotiating an award, they will face a hefty wage bill). But the opportunities are therefore for small shopkeepers with smaller overheads to take the inative in trying to attract weekend shoppers. If the big boys finish up with the bulk of the business, at least it will be the result of the public freely expressing a clear preference for supermarkets.

– Bob Edlin

Without word of a lie

Customs officers swoops on warehouse

AUCKLAND Customs officers have swooped on Nicholas Nathan Ltd's Takapuna Warehouse and seized $200,000 worth of children's toys.

Customs sources said that court charges are likely to follow.

The 300 boxes of toys were cleared by Customs and went to Nicholas Nathan Ltd's warehouse. But Customs Department investigators checked the invoices (exempt and non-exempt items) against the shipment and allegedly discovered discrepancies. This led to the raid and seizure of the toys.

The retail value of the toys would probably be about four times the fob value of the toys in South-east Asia where they were bought.

Nicholas Nathan, managing director of Nicholas Nathan Ltd, would not comment on the raid for legal reaons.

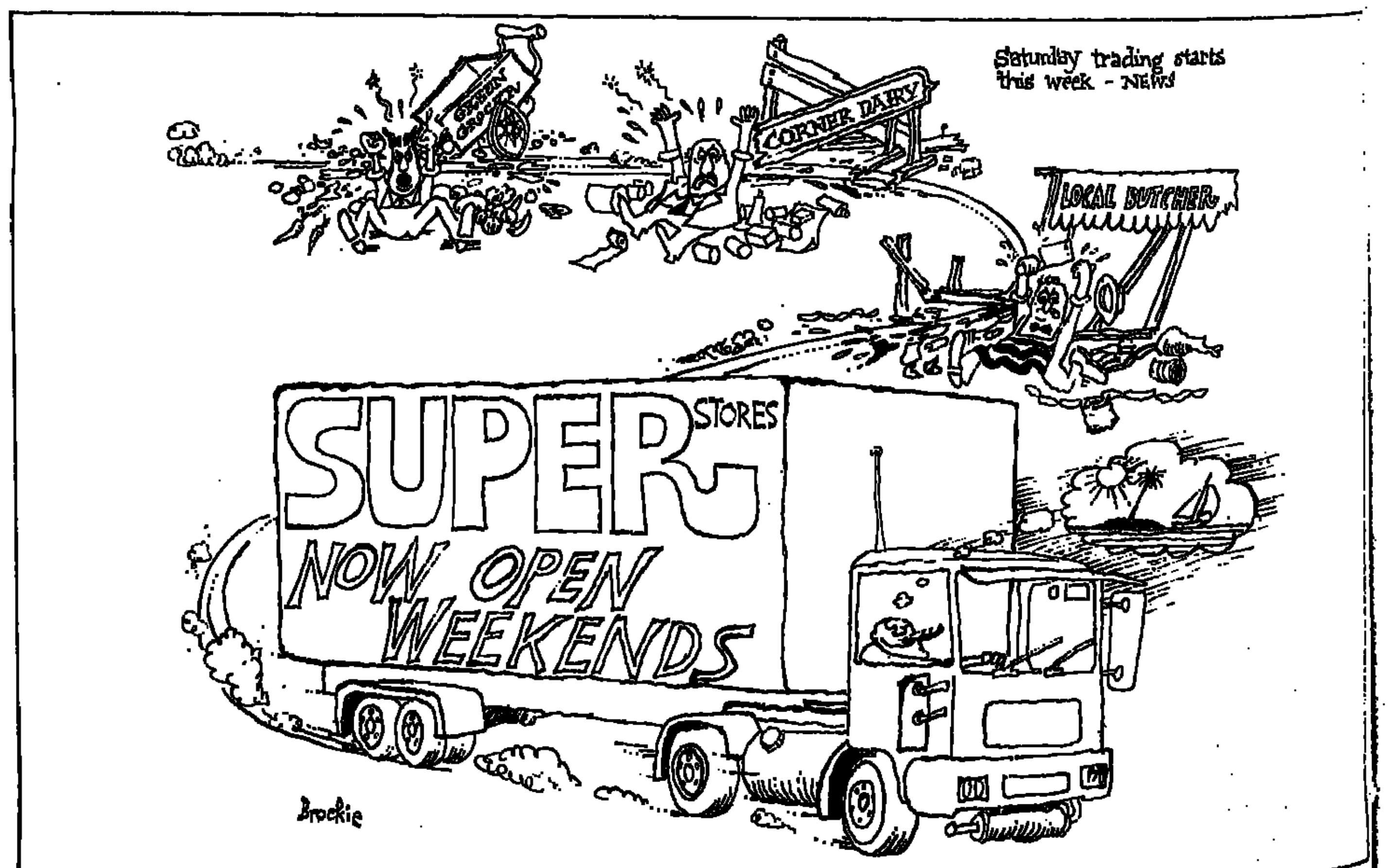
Voters storm electoral administrator's office

SHADES of Jack Wright in the United States. Angry voters in Fairfax county near Washington stormed the election administrator's office when they found they were not on the roll for the election.

It seems there were problems compiling the roll and many who had registered were not recorded as having done so.

In New York, however, the issue was different. There, many voters had registered twice, leading city Board of Elections officials to concede multiple voting has possible.

Brockie's view



Vigilant barlady lays down the law

HOW are the mighty fallen . . . Justice Minister Jim McLay came in for a bit of a roasting a few nights ago from a rather irate bar lady who wanted to go home.

McLay was relaxing over a post-interview drink with members of TV's Eyewitness team when legal closing time arrived.

The vigilant bar-lady switched the lights on and off a few times to give the Minister and the rest of the party a hurry-on.

When that failed to move the Minister, she marched over and told him in no uncertain terms: "You're not allowed to drink anymore. Don't you know the law?"

Unfortunately, we are unable to bring you the Minister's response.

Southdown company 'is working for you'

IT was in May that the directors of the Auckland Farmers Freezing Co-operative Ltd are reported to have taken their collective decision to close the Southdown works in Auckland.

The rest of us were told early in October.

But at the end of last month Affco was still telling readers in the farming press, through its advertisements, that the company "is working for you" with plants at Southdown, Moerewa, Horotiu and Raniuru.

Did the company know then what we know now? That Prime Minister Robert Muldoon on returning from a six-week trek around the world would attempt to work out a deal with the meat workers union and company to keep the works open.

NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F Grant
General Manager/Accountant: Stephen Underwood

Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor

News & Features:
Colin James, Rae Mazengarb, Stephen Bell, Jack Hodder, Allan Parker.
Contributing:
Finance: Peter V D'Brien
Auckland Bureau:
Warren Berryman
Gordon McLauchlan
Advertising Sales:
Manager: Paul A C S Loh
Promotions:
Manager: Kathi Scott

Circulation:
Manager: Jan Chee

Auckland Office:
2nd Floor, Leviens Building
Cnr Airedale & St Paul Streets, Auckland
Tel: 799-304

Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington NZ
PO Box 9344
Tel: 736-876
Cables: Natbus

National Business Review incorporates Admark and is a registered publication weekly (except for last week December and first two weeks January).

Typeset and composed by Computype Services Ltd, Wellington. Printed by R Lucas & Son Ltd, 118 Kapiti Road, Paraparaumu.

Single copies: 80 cents
Subscription rate: NZ$30
Member ABC (Audit Bureau of Circulations)

How unionists see Quigley committee on ACC

by Ross Wilson

THE reaction of both the Federation of Labour and the Combined State Unions to the changes to the accident compensation scheme recommended by the Quigley Caucus Committee has been an angry one.

It is felt that the changes proposed constitute a breach of faith, if not a breach of contract, with the people of New Zealand who were required under the 1972 Accident Compensation Act to exchange their common law right to damages, and to compensation under the Workers Compensation Act, for the comprehensive Accident Compensation Scheme which offered generally lower levels of compensation.

There can be no doubt that there is a substantial element of social contract in the Accident Compensation Act and the Act should not be altered to the disadvantage of the injured without a compensatory return of the common law rights surrendered.

The changes proposed by the Quigley committee will result in wide-ranging cuts to the Accident Compensation Scheme without offering even a limited return to the common law damages system.

The Quigley committee's terms of reference were a clear indication that the Government's only interest was in pruning back the present scheme. For this reason, both the CSU and the FOL declined to make submissions to the committee and called for the 1967 Woodhouse Commission to be reconvened.

In fact the cuts proposed are far more than pruning. Lump sum payouts will be cut by 80 per cent. Medical treatments under the scheme totalled almost $16 million for the year to March 1980 and by charging the injured person $5 per visit for the first two medical treatments (to be recovered from employers in the case of workers) a cut of about $1 million will be made in ACC expenditure.

Eliminating the second week payment for non-work accidents could result in a further reduction to the ACC of about 50 per cent of earnings related compensation payments.

So the total cutback in the ACC payout (based on 1980 figures) could be:-

Lump sums	12,700,000
Medical fees	1,000,000
Second week Compensation	26,000,000
Total cutback	$40,400,000

As the total compensation paid out by the ACC for the year ended March 1980 was $104,400,000 the percentage cutback if the proposals are implemented will be about 38 per cent.

The Associate Minister of Finance Derek Quigley has attempted to justify the changes by claiming that they are designed to: "improve workplace safety, encourage rehabilitation, streamline administrative procedures, reduce abuses and place more emphasis on compensation for the seriously injured."

These claims warrant closer examination.

"Improve workplace safety": The claim is that by making employers liable for second week compensation there will be an incentive for employers to be more safety conscious.

There is no evidence to support this claim. In any event the increased cost of second week compensation will be partly offset by the 20 per cent reduction in first week compensation payments.

If the Government was sincere in its desire to improve workplace safety it would take steps to ensure that the commission discharges its statutory obligation to promote safety which the Act states "shall be in a matter of prime importance". It has largely been neglected to date.

The FOL believes that the commission should actively encourage and assist the establishment and effective operation of workers' safety committees (where not already established) and to provide the committees with all information to enable them to effectively monitor and enforce occupational health and safety standards in the workplace.

"Encourage rehabilitation": Financial hardship as a result of the cuts may force injured workers back to work before they are medically fit but that is hardly encouraging rehabilitation.

The lack of rehabilitation and vocational retraining assistance has been one of the commission's major failure areas.

The Accident Compensation Act requires the commission "to take all practical steps to promote a well co-ordinated and vigorous programme for the medical and vocational rehabilitation" of the injured; including "their restoration as speedily as possible to the fullest physical, mental, and social fitness of which they are capable." The commission is clearly in breach of this statutory obligation. In practice, the commission's object appears to be to relieve itself of responsibility for the injured person as soon as it can.

The Quigley proposals do no more than pay lip service to this crying need.

"Streamline administrative procedures": This will be achieved by cutting out up to 50 per cent of present claims. The next streamlining may cut out the rest.

In particular the complete abolition of lump sum payments under Section 120 for pain and suffering and loss of enjoyment of life will no doubt please the administrators, who have had to deal with many reviews and appeals in respect of these payments. There is always a strong temptation to do what is easy rather than what is right. The Quigley Committee has taken the easy option. The Woodhouse concept of real compensation is suddenly dispensable.

"Reduce abuses": There is no evidence of any significant abuse and cuts affecting the genuinely injured will not reduce the alleged abuses.

In fact, increasing distinctions between work and non-work accidents may encourage abuse. As the 1967 Royal Commission stated in its 1967 Report "wisdom, logic and justice all require that every citizen who is injured must be included".

The FOL and CSU believe that the scheme should be considered with this principle in mind; any temptation to make exceptions on the basis of value judgments should be firmly resisted. For this reason the further discrimination proposed by the Quigley Committee in respect of sporting accidents, car accidents, home accidents, other non-work accidents, and injuries received in the course of criminal activities should be opposed.

"Place more emphasis on compensation for the seriously injured": This claim is a clear example of verbal deception. The changes will place more emphasis on compensation for the seriously injured only by cutting compensation for the less seriously injured. The proposals will give no more compensation to the seriously injured.

It is clear that the proposed cuts are a result of the current Government policy to cut welfare expenditure, whether or not it is socially justifiable.

There is certainly no argument on the grounds of expense. The Accident Compensation Scheme has been described by the chairman of the 1967 Royal Commission on Compensation, Mr Justice Woodhouse, as "remarkably economical".

The Quigley Committee itself has recently acknowledged that the Accident Compensation Scheme is the "cheapest in the world".

Despite its wide-ranging cover the nationwide average cost to employers has increased by only 0.07 per cent of wages since 1972. And the owner of a private car in New Zealand still pays only $14.20 a year as a total contribution to the fund compared with Australia where third party insurance alone is now $120 a year.

There is no doubt that employers and motorists are paying far less in levies to the commission than they would have in private insurance premiums if the Accident Compensation Scheme had not been introduced.

It is a bitter irony that the cuts have been proposed at a time when there is mounting dissatisfaction with the unduly restrictive and legalistic approach which the commission has taken to the interpretation of the Accident Compensation Act and the operation of the scheme. Rather than cutting back the present scheme the FOL and CSU believe that increased expenditure is justified on the basis of both comparative cost and social benefit to achieve the original objectives of real compensation and complete rehabilitation of the injured.

In particular the following improvements are justified:

- The establishment of an effective system for the rehabilitation and re-training of injured workers;
- The increase of lump sum maxima for the injured, widows and other dependants to 1975 levels when they were last increased;
- The introduction of an effective safety programme, particularly in industry;
- The indexation of compensation to movements in the Consumer Price Index;
- The extension of the scheme to cover incapacity resulting from illness.

The FOL and CSU will be conducting a joint campaign to oppose the Quigley Committee recommendations. We hope that we will be joined by other organisations and individuals.

Ross Wilson is a member of the FOL/CSU Steering Committee on Accident Compensation Committee.

Without word of a lie

AMP, OB3 and the game of the name

DEVELOPERS of the newest, tallest building in Auckland, the AMP Society, still have not named it.

In the meantime, it's called Office Block Three, (OB3 for short), as the third and last building in the huge AMP Downtown complex which has tended to weight the city toward the bottom end of Queen Street.

OB3 has 21 floors of office accommodation above basement, arcade and plaza levels. Floors above the sixth are let, and some of the lower ones are under negotiation. Total floor space is 25,000 square metres.

All this grandeur with no grand name.

Japan Air Lines did make an offer of a reported $25,000 a year for the right to call it "Japan Airlines House". The offer was refused.

An AMP spokesman said the money was acceptable but JAL was not "a major tenant".

The airline is sharing an upstairs floor with the Australian Tourist Commission and the Auckland office of the Mt Cook Group (including head office marketing). JAL is also taking substantial space on the showcase ground floor for ticketing and reservations, and a subsidiary will have a restaurant on the arcade level.

So what is a "major tenant"? Hard to define, AMP agrees, but probably one which occupies "about four floors".

If no major tenant is found when the rest of the building is let, AMP still won't accept the JAL $25,000 offer but will think of a name itself.

It is understood that Mt Cook and the ATC are not too upset about the refusal.

But cynics have pointed out another factor: The new building really upstages OB1, now known as "Air New Zealand House", and JAL's move may have been blocked because Air New Zealand and the AMP Society have two things in common – directors C J Keppel and D A Smith on both boards.

Hard line steward aids opposition airline

THERE we were . . . strapped into our seats on Air New Zealand's direct DC10 flight Hong Kong - Auckland. The engines warmed up and the forward economy-class cabin steward began his safety procedure mime to the tape-recorded spiel.

Three rows in front of the steward, an Auckland businessman held *soto voce* conversation with a window-seated oil company executive . . . both had been closed out of first class.

A sudden lunge forward by the steward was accompanied by a hearty thump on the head rest directly in front of the two passengers. "Pay attention please," warned the brash young steward. "This is important!"

He retreated to the front of the cabin to continue his blow-here-pull-there routine, but completed his performance by leaning over the amazed pair again and snarling: "I hope for your sake this plane doesn't crash."

Next step, presumably, is a compulsory written test at 10,000 metres with a less than 50 per cent pass obliging passengers to make a fast exit clutching their life raft.

The same steward, offering drinks with a meal later, insisted: "Anything you like . . . you're paying for it in your fare."

And they still play Maori muzak . . . any wonder the businessmen on this flight shrugged and pointed out they had tried to fly Singapore Airlines.

Letters

Facts versus fiction

SINCE Gordon McLauchlan has chosen to write an article (*NBR* November 3) about New Zealand fiction, I hope you will allow me to disentangle the facts from his fiction.

Fiction: "New Zealand virtually ignored Ronald Hugh Morrieson until Heinemann Educational Books released *Predicament* in the mid-1970s, followed by the Dunmore Press with *Pallet on the Floor*".

Fact: The Dunmore Press published *Predicament*, and then published *Pallet on the Floor*; and then Heinemann's reprinted Morrieson novels previously published by Angus and Robertson in Australia. *Predicament* went out of print last week.

If McLauchlan had wanted to write about Morrieson and New Zealand publishing, he could have contacted us; we could then have told him that New Zealand Television now owns the rights to *Predicament*, which was turned down by practically every publisher of note in Australia and New Zealand, so that Morrieson died a bitterly disappointed man.

One of the reasons Dunmore Press came into being was to help writers like Morrieson.

We have, in recent years, published more New Zealand fiction proportional to our total output than any other New Zealand or quasi-New Zealand publisher.

But New Zealanders, Gordon McLauchlan among them, unhappily, remain fixed in their view that if anything is produced that is worth writing about, then it must be done overseas or by overseas controlled organisations.

Patricia Chapman
Editor
The Dunmore Press

Anti media pro public

RECENTLY your newspaper rang me for some information. I am concerned to now find myself misquoted on several aspects (*NBR* October 13).

Research did not "indicate that the media was anti-Air New Zealand while the public was pro". Research did in fact, indicate that the public was generally happier with the standard of service and not as dissatisfied as the media reflected.

No way did I say "this country is out to destroy its airline". What I did say was that "some people in this country are out to destroy their airline". The effect of that happening would not be like "Pan Am pulling out of Fiji" as your article states.

My statement was along the line of "if New Zealand does lose its international airline, New Zealand would find itself in the same position as Fiji, at the mercy of foreign interests. Pan Am, QF and UTA, all recently pulled their through services out of that country with dire effects on its tourist industry". Quite a different connotation.

I also explained that most of the complaints from the travelling public come (to all airlines) from the frequent traveller category. These were hitherto afforded certain extra services. Since the airlines found that many of these passengers were using the lowest, rebated fares, these extra services would now be available only to passengers paying the full economy class fare. They need not "pay first class" as your article states.

You rightfully demand care, quality and efficiency from us. Can I as a subscriber or as a representative of Air New Zealand, ask for the same please.

H Topzand
Marketing Research Controller
Air New Zealand

Travel trade diagnosis

THE article by Gordon McLauchlan about the New Zealand travel industry, "Bad omens for long-haul travel traffic aggravate the crisis facing local tourism industry", (*NBR* November 3) presents a timely and commendable analysis of the state of this industry, and the outlook for the future.

I would, however, like to clarify one point Mr McLauchlan raises in regard to my reported "resignation" from the Aviation and Travel Industry Training Board.

It would be erroneous to interpret this event as "another symptom of disintegration within an ailing industry". The development of industry training and education was, of course, initiated by the New Zealand Institute of Travel Inc in 1971 and expanded under the former Travel Industry Training Council from 1976 until the enforced demise of this latter body in 1979.

Indeed, the work of the institute is now progressing rapidly, and the resources and company training systems established under the former training council remain largely intact. It is now the role of the various industry associations to ensure that Air New Zealand's leadership in holding together the new Aviation and Travel Industry Training Board at the same time reflects an accurate understanding of travel and tourism staff training needs, as well as those of the airline's own commercial and technical sectors.

In my own case, I never in actual fact "resigned" from the new board but rather terminated my services after the disbanding of the training council *in lieu* of accepting an appointment with the board. The reason for so doing was quite simply a matter of professional ethics.

As you may know, the board is legally constituted as a subcommittee of the Vocational Training Council. Unfortunately staff of this organisation exceeded statutory authority in attempting to influence both the appointment procedures of the new board and the conduct of routine Government Audit Office audits of the former Training Council.

As a professional consultant and travel educator, with a reputation and credibility to maintain, it was necessary for me to disassociate myself from such actions. It may well be that these events have contributed to the board's difficulty in filling vacancies.

I am optimistic, however, that the tourist industry, as far as its staff training needs are concerned, will recognise the *tempus fugit* theme highlighted in Mr McLauchlan's article and move in the right direction toward meeting those needs.

David Hicks, Director,
Travel Management & Education International Ltd

Variation of a theme

I HOPE New Zealand's newest newspaper *The Nation* proves to be a more reliable proponent of the English language than might be suggested by its promotion blurbs.

In the issue of *NBR* dated November 3, your article (page 19) bills the paper as the "Authoritive weekly". Never mind, I thought, it's only the *NBR* sub-editor who missed the error.

Too bad when a couple of pages further on I came across the publisher's advertisement for the new weekly (which I presume he prepared or at least okayed), proclaiming it as "New Zealand's Authoritive Weekly" – another version of the theme.

Hopefully it will in fact turn out to be authoritative. (Mind how you print this letter now!)

Eric Turner
Wellington

Misleading on Mexico

I HATE to accuse you of misleading readers, but the photo "from Mexico City" accompanying your Mexico Mission article of November 3, is actually from Los Angeles.

Experienced Los Angelphiles will know this picture shows the merchants who cluster at the base of the city on Olivera Street – original "centre" of this somewhat awesome megapolis.

Paul E Dixon
Access Marketing Limited

OUR thanks to a beady-eyed reader for drawing attention to the mislabelling of a photograph in our library files. – Editor.

Politics

Political realignment out of cultural change

by Colin James

FOR American liberals on November 4 there was at least one bright spot — liberal Senator Mac Mathias of Maryland was re-elected over his conservative challenger.

But in this election of the rout of Democratic liberals, Mathias' win was not what it seemed. He is a Republican.

Mathias is part of the rich tapestry of an American election against which New Zealand elections look like grey flannel.

Take scandal, for instance. Allegations, and a reluctant admission, of homosexual tendencies helped to put paid to Maryland House Representative Robert Bauman, a Republican. Senator Tom Eagleton survived similar rumours and an attempt by his niece, since convicted, to blackmail him.

Five Democratic representatives ran under the cloud of "Abscam" bribery revelations by the FBI. One survived, the other four did not, including Michael Myers, of Pennsylvania, who had been convicted and barred from the House.

Advertising is closer to the bone. One target was age. Liberal Republican Senator Jacob Javitts of New York, aged 76, and afflicted by a motor disease felt obliged to defend his mental health in television advertisements.

And, while the rest of the Rocky Mountain region was going Republican, Senator Barry Goldwater, 71, and nearly immobilised with hip problems, just clung to his seat.

The Jimmy Carter camp did not have quite the nerve to accuse 69-year-old Ronald Reagan of senility, but indirectly raised it by references to the crushing, complex workload of the presidency.

Syndicated columnist Garry Trudeau was less circumspect in his Doonesbury strip: he had a television reporter rove cynically through Reagan's brain.

Many editors baulked at publishing that. But they did not forebear to run claims by two lie detection experts that Carter lied during the 90-minute television debate with Reagan.

Selectivity was the name of the game, played to a fine art by the speechwriters to squeeze the maximum from appearances in key states, visited at a rate of up to four in a day in mind-boggling 1000-kilometre-plus schedules.

Carter's theme: dispense goodies; dig out some local activity that had benefited, however tenuously or tangentially from some occurrence, he had at least brushed against; and stress responsibility and experience gained from "thousands of decisions".

The anti-Washington "rookie" become new Washington professional even tried to turn his much-jeered-at flip-flops to his advantage.

An endorser in his final 20-minute television appeal intoned: "He's deliberately opted for a style which says, 'I'm going to share with you the complexity, the reality, the frustrations, the victories and the defeats and we're going to get the process off the stage and into the reality of daily life'."

Reagan's response was to shift it instead to the mountain tops.

In his final television speech he scarcely even mentioned Carter or policy. He talked of Vietnam prisoners of war, "a kindly pleasant, greening land", John Wayne – "a symbol of America itself" – "the best society the world has ever known", "the City on a Hill".

Excerpts: "I believe we can embark on a new age of reform in this country and an era of national renewal, an era that will reorder the relationship between citizen and government, that will make government again responsive to the people, that will revitalise the values of family, work and neighbourhood and that will restore our private and independent social institutions. . .

"We must have faith that America's trials have meaning beyond our understanding. Since our beginning, America has held fast to this hope of divine providence, this vision of man with God" (In a letter in 1976, he talked of his long belief in "a divine plan that placed this land here to be found by people of a special kind".)

That address in itself would have had a negligible effect on voting, but it encapsulates Reagan's appeal. He was holding up an umbrella under which many ambitions and grievances could shelter.

Libertarian economists, like William Simon, the military establishment, the big corporations (who spent huge sums against liberal Democrats through "political action committees") could find shelter there. So could the conservative working class though not their union leaders and small businessmen.

And alongside them were social conservatives – opposed to busing of children to mixed schools, abortion, homosexuality and the proposal to guarantee women's equal rights under the Constitution – and the religious fundamentalists and the reactionary Moral Majority who spent heavily against Carter.

To call this ragbag of grievance-holders a coalition would be to go too far. The ground for fundamental disagreements on individual policies is obviously fertile. Reagan will be well advised to stick to rhetoric and token manoeuvres (much as he did in California as governor) than try to meet individual demands.

But there is a unifying strand: a yearning to overturn the legacy of the 1960s, the cultural and moral disorientation and the heavy hand of government in traditional moral and economic ways of doing things (liberalising hand in the first, interventionist in the second).

A Harvard professor, James Wilson, argues that "the life and heart of the (Reagan) campaign are not to be found in elite concerns with economic and foreign policy, but in mass concerns with moral and social issues".

In the letter quoted above, Reagan talked of "a spirit moving in this land and a hunger in the people for a spiritual revival".

Wilson sees parallels in the revivalist capture of the Democratic Party in the 1890s by William Jennings Bryan who offered populist solutions. After the social movement Bryan led burnt itself out, politics settled into a new alignment – in the liberal mainstream of American political development – giving rise to the enduring Democratic majority of the New Deal.

Similarly Wilson thinks the Reagan social movement may have reached its high tide and a new political alignment can be expected to emerge.

Support for this view came after the election from one of the brightest liberal Democratic Senators, Paul Tsongas, who said: "If we get a rational Ronald Reagan, he would have all the makings of an FDR", a reference to Franklin Roosevelt's construction of the New Deal Coalition.

Of course, this view is not the only possible analysis. It was argued by many – Reagan's chief pollster, Richard Wirthlin among them – that the election was effectively a referendum on Carter's chaotic leadership.

But rejection of Carter is consistent with the Reagan electoral alliance theory. Carter rode a populist anti-Government, anti-1960s wave to Washington in 1976, making much of national pride and born-again religion.

An Edward Kennedy promising more of 1960s Democratism (which came to a dead end with George McGovern's disastrous campaign against Richard Nixon in 1972) would have been hopelessly out of place and time. No other Democratic leader could manage more than a minimal showing in the primaries. There is good ground for believing Reagan would have beaten any Democratic opponent.

Parallels in New Zealand? Yes, despite the important differences between the two countries.

In 1975 Robert Muldoon, by appealing to moral and social (and financial) conservatism, put together many of the elements that have gone into the Reagan electoral alliance.

But his myopic obsession with economic minutiae has denied the broad vision necessary to hold the alliance together. While big business, the non-teaching professions and libertarian economists have stayed with National (seeing it as their best hope despite its leader), other – populist – elements, including large chunks of the conservative working class, have headed for Bruce Beetham.

Seeing this, the Labour Party is shifting, as the Democrats shifted between 1976 and 1980, to a more non-interventionist stance.

If Beetham was leader of the National Party in Opposition right now, who knows what sort of majority he might have?

But, if Wilson is right about the United States – if "every such period of broad cultural change has sooner or later been dominated by young, educated activists who have left as their legacy the values implicit in liberal higher education" – and if that sentiment is transplantable to New Zealand, it might be the likes of, or the spiritual heirs of, Geoffrey Palmer and David Caygill who emerge as the mainstream leaders out of the current turmoil.

Public Accounts show the hard bite of income taxes

Economics Correspondent

TOTAL income tax payments received by the Government in the first six months to September this year were a whopping 34 per cent above the level of income tax receipts over the same period last year. No wonder wage and salary earners have been feeling the pinch.

If taxes continue to increase this rapidly, total income tax receipts for the March 1981 year could nudge $6 billion, a level far above the $5400 million forecast in the 1980 Budget. Certainly there is scope for the Government to reduce income taxes in the mini-budget expected in the next few weeks.

But although income taxes are increasing rapidly, the Government's deficit is not reducing. The deficit before borrowing for the first half year is $1195 million — the largest deficit ever recorded over a six month period.

The rise in the Budget deficit is partly explained by growth in the Government's spending. Last year, spending only increased by 14 per cent during the first six months. This year, total Government spending grew by over 21 per cent. With inflation now running around 16 per cent, this suggests that the Government has actually expanded some of its activities in real terms.

If this expansion is creating jobs for the 60,000 unemployed, it is no bad thing. But it may mean that even with massive growth in income tax revenue, the deficit before borrowing could exceed the Budget target of $1260 million.

A comparison of *expenditure* by function with the 1980 Budget estimates (see the Table) shows that in most areas, spending is below 50 per cent of what has been budgeted although 50 per cent of the year has passed. Only in the areas of administration, education and social services has expenditure exceeded 50 per cent.

Since the school year ends after the third quarter of the Budget year, it is normal for education spending to be larger than 50 per cent of its vote at this time of year. It is also usual for administration spending to grow faster than spending in *other areas in the first half of the* fiscal year.

But social services expenditure is a different kettle of fish.

Unemployment has risen rapidly this year and so has expenditure on the unemployment benefit. Social Welfare is one vote which is likely to get a supplementary allocation when the supplementary estimates are released in the next two or three weeks.

Another reason the Government's deficit is large, despite a massive gain in income tax revenue, is that receipts from other forms of taxation are falling. Much as *this Government claims* to believe that the burden of taxation should be shifted from direct to indirect taxes, in practice, it has yet to design a system of indirect taxation which creates revenue as easily as the income tax system.

The fiscal drag component in *the current income tax scale* is quite great. This means that, as earners get higher wages to make up for inflation, the Government gets an even higher increase in income tax revenue without putting up taxes.

This makes it easy for Governments to deal with inflation in their own spending. With Government expenditure rising above the rate of inflation, there is not likely to be more than a 5 per cent reduction in income taxation in the coming mini-budget.

Some readers may feel there is scope for more of a reduction.

Comparing Government Activities with Budget estimates

Expenditure (net)	1980 Budget *estimates*	Actual Budget transac*tions* six months to September	*Per cent of* Budget *estimates*
Administration	694	382	55
Foreign Relations	529	264	49
Development & Industry	792	354	45
Education	1231	728	59
Social Services	2443	1248	51
Health	1327	652	49
Transport and Communications	345	125	36
Debt Services and misc. investment	954	427	45
Inprests[1]	—	43	—
Sub-Total	8315	4223	51
Supplementaries	250	—	
Misc. financing Transactions	406	180	44
Total spending	8971	4403	49
Financed from:			
Income tax	5400	1893	35
Customs, sales tax, beer duty	1216	521	43
Highways tax	182	84	46
Motor spirits tax	137	66	48
Other taxation	219	83	38
Total taxation	7154	2647	37
Interest, profits & misc. receipts	557	280	50
Suspense accounts[2] & trust account	—	281	—
Total receipts	7711	3208	42
Deficit before borrowing	1260	1195	

1 Monies spent but not yet classified. 2 Receipts not yet classified.

"Shouldn't we include something in our pay claim to cover all these whip-rounds for early retirements?"

Merger pends on amicable Commission hearing

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

THE Commerce Commission starts the final stages of the Fletcher Holdings/Carter Holt affair tomorrow in Wellington.

When Challenge Corporation, Fletcher Holdings and Tasman announced their proposed merger on October 22, it was widely assumed that the Commerce Commission hearing would lapse, particularly as Fletcher also announced it would not proceed with the public offer for Carter Holt.

Life is never that simple.

There are several matters to be resolved at tomorrow's hearing, and if they are not resolved the big merger could run into trouble.

At present there are restraining orders on Fletcher's 23.6 per cent stake in Carter Holt, New Zealand United Corporation's 24.9 per cent, and Customhouse Holdings (the investment company of Wellington brokers R A Jarden & Co) 2.4 per cent.

Some of those shares are now vested in the Public Trustee, pending resolution of the various issues, and removal of the restraining orders.

If the questions are not settled amicably, it will be difficult for the Fletcher Challenge deal to go ahead, because there will be a sizeable asset still in limbo.

Further complications may have arisen because the corporate struggle involves people of varying personalities.

An important point is what happens to the shareholdings now subject to restraint. Fletcher has said it will stay with its 23.6 per cent of Carter Holt, but the position of NZUC and Customhouse Holdings is not so clear.

Two weeks ago Brierley Investments sold its 250,000 shares in Carter Holt to National Mutual. The holding arose from the shares Brierley obtained when it bid for 10 per cent of Carter Holt, plus the bonus shares on that holding.

But when Brierley sold, it appears that New Zealand United Corporation, or other interests associated with Wellington financier and broker, Frank Renouf, had some agreement to buy the Brierley shares when the other issues were resolved.

Whether that was a form of option or not is immaterial, but if NZUC or Renouf interests were in such a position, it raises the point that acquisition of the holding could put NZUC at least above the maximum holding allowed without the approval of the Examiner of Commercial Practices.

The question then becomes what would NZUC do with that holding? Would it hold it as an investment, or dispose of the total shareholding to other organisations, at what is now a handsome profit?

The plot thickens with the addition of a rumour that NZUC, or associated interests, may be interested in acquiring Customhouse Holdings' 2.4 per cent of Carter Holt.

That is one side of the matters coming before the Commerce Commission tomorrow. The other is the attitude of Carter Holt, and the interested parties associated with that company.

The destination of the shares subject to the restraining orders will obviously be a matter of concern to them.

The Carter Holt arguments at the hearings in May were based on a breach of the Commerce Act by Fletcher and NZUC, in that they were alleged to have acted "jointly and in concert" in their acquisition of Carter Holt shares.

If they continue to press that argument, they may also claim that the lifting of the restraining orders and the disposition of shares (if they are to be disposed of) should be related to what they see as an initial breach of the Act.

In lay terms, this is connected with propositions of benefiting from alleged wrong-doing.

It is clear that the Carter Holt interests are vitally interested in what happens to any shares which are moved around in such substantial parcels.

It appears that the drawn out jockeying may be drawing to a close. By the time this edition of *NBR* is published the issues may be clarified, subject of course to the final authority of the Commerce Commission.

The key to the backroom negotiations, which may have


Ron Trotter . . . strong interest

been going on preparatory to tomorrow's hearing, could be the bargaining skills of that well known negotiator, Ron Trotter, who has a strong interest in the outcome in relation to Fletcher Challenge.

Trotter is not one to have loose ends dangling all over the place when he is trying to do something big. He has proved that in the past, and may be showing it again, in between a hedgehopping campaign trail which would do credit to American presidential candidates.

There are two possible outcomes to tomorrow's hearing.

Either it will be over in a day or two, or it will get bogged down into a stand-off situation which only the Commerce Commission can resolve. Since all concerned probably want Christmas dinner in the relative tranquility of their homes, the former looks the best bet.

Refrain from blinking – the big one might pass

SHAREMARKET watching these days demands that the observer refrains from blinking.

Big deals, small deals and rumours of deals are coming through almost daily, and there are likely to be more before the end of the year.

The market had absorbed the news of the proposed Challenge, Fletcher, Tasman merger when Goodman Group announced a bid for 19.9 per cent of Wattie Industries. The 19.9 per cent was a neat figure, unrelated to the acquisition of a specific number of shares, because it saved the company a considerable amount in sending a letter to about 25,000 Wattie shareholders. That would have been required at the 20 per cent level. Wattie has now countered with a bid for Goodman, while someone was blinking.

There are likely to be repercussions in the market as a result of massive share buying in the Hastings food and merchandising group.

Goodman is paying out about $20 million to Wattie shareholders who accepted the offer. A fair amount of that money will be paid to the major institutions, but there are many smaller shareholders who will receive cash for their holdings.

They even include what we can term the "lil' ol' ladies" brigade, whose Wattie shares have been held for years.

It is unlikely that the full $20 million will find its way back to the sharemarket, but we can assume that a substantial sum will be reinvested in equities over the next month or so.

An amount of, say, $15 mil-


Lyn Papps . . . counterbalance

lion would be roughly 0.5 per cent of the total market capitalisation of the New Zealand sharemarket, but it is also unlikely to be invested across the board.

That means any reinvestment would be in selected stocks, several of which enjoyed a good run in recent weeks.

Add that point to the continuing rumours on other likely mergers in the near future, particularly among companies which together have interests similar to Fletcher Challenge Corporation, and we are likely to see another upward movement in the period to Christmas.

Something is certainly up at the moment, but I confess to lack of knowledge on the specifics (a frustrating situation, and one which does little for the liver in the attempt to find out).

For example, several of the potential merger candidates being discussed in the market have some overlapping activities, but, because of the nature of New Zealand companies and the desire to avoid conflicts of interest, they have directors who counterbalance the board seats of people in the Fletcher Challenge operation.

One of those is Wellington corporate lawyer, Lyn Papps, chairman of Dalgety, Odlins, UEB, NZ Motor Corporation, the ANZ Bank (NZ) Ltd (which includes the Wellington based finance house, UDC Group Holdings), and a director of Steel and Tube, and other companies.

The various rumours flying around the market include possible relationships between some of those companies, although the possible combinations are numerous.

Most of the companies mentioned have activities which are competitive with the interests of the proposed Fletcher Challenge organisation.

And, as always, in the background is the inimitable Brierley Investments.

The present confused state of equity investment is a situation in which the Wellington investment conglomerate thrives, and of which it can be guaranteed to take advantage.

Potential sellers in the current market might be advised to hold on a little longer until the rumours are clarified, and also until we see what happens with the investment cash freed up from the Goodman/Wattie deal.

That may be little comfort to potential buyers, because they would then be chasing a limited amount of scrip with a considerable amount of cash, and would have to bid up prices in order to unlock the necessary shares.

Given the fact that several companies are now high priced, in terms of the movement needed to cover brokerage in and out, the potential buyers should be looking at low priced stocks with solid dividend yields, particularly if they are the types of company which could fall logically into a realignment of local industry to counteract Fletcher Challenge.

The market is likely to receive further underpinning from the Government's mini-budget, in addition to last week's heavy trading.

A tax cut, plus other adjustments, will put more money into circulation, which in turn means higher economic activity, particularly at the retail level. If the retailers at the end of the chain improve their business, it is not long before the flow-on effects move to wholesalers and manufacturers, with the service industries eventually participating a little further down the time track.

But it is all a little weird, in view of high unemployment, continuing inflation past the 15 per cent annual rate, a sizeable overseas deficit, the fact that the great new era for the country is still a few years away, and an international recession.

If people see a chance to make money in a moving sharemarket, they will give little thought to those issues, although before long they eventually take the money and run.

NOTE: The writer neither owns, nor has a beneficial interest in, the securities discussed here, with the exception of Challenge Corporation.

Analysing annual accounts: Brierley Investments

BRIERLY Investments Ltd, our homegrown, multinational conglomerate, presents its profits very conservatively, which, of course, is the only proper basis for an organisation with such diverse, and sometimes volatile interests.

We have good authority for that comment, because most of the preceding sentence is taken directly from the review of chairman, Ron Brierley.

It seems that the organisation presents its "profits" so conservatively that it managed last year to turn 1979's "operating surplus for the year" (before profits from dividends, sale of assets, acquisitions and so on) into a deficit of $915,372, in relation to the "parent company and its subsidiaries".

The addition of operating surplus in associated companies, up from $11.4 million in 1979 to $14.45 million, gave a total "operating surplus" of $13.5 million, compared with $13,777,000 in 1979.

That is hardly an impressive performance for an organisation which, to quote chairman Ron again, "aspires to continue to perform a role as catalyst for industry rationalisation (a trend which we are convinced will intensify in the future)".

So what happened? There is a clue in another note to the accounts, which sets out changes in "sundry provisions". One of the sundry provisions is "miscellaneous contingencies", an item which went from $6.1 million in 1979 to $19.7 million last year, in regard to parent company and subsidiaries.

There is no statement in the report as to the sudden change in that provision, but the accounts of Industrial Equity Ltd, the Australian subsidiary, have a similar provision which increased from $6,397,000 in 1979 to $16,593,000, subject to an exchange rate which moved from 0.9 that year to 0.85 as at June 30 1980.

A fair slice of the additional sum apparently relates to a provision for Winchcombe Carson Ltd, acquired in 1979-80.

If one is to make a substantial allowance for a "miscellaneous contingency", it has to show up somewhere else, and this year part of the "somewhere else" appears to be in the operating surplus (deficit) for the year.

This related to another comment in Brierley's review, when he refers to "certain press reports and other financial analyses which simply apply a 'percentage calculation to the published earnings of Industrial Equity Ltd to produce by deduction a figure attributed to New Zealand sources".

"Unfortunately, accuracy and simplicity do not coincide in this instance. In the first place, all of the financing costs (whether actual or notional) relative to shares in IEL are a charge on the New Zealand accounts. These costs are substantial and rise each year in line with the increased level of investment. Secondly, there are various transactions between BIL and IEL which can distort the final outcome. For example, during the year AMOIL NZ Ltd sold its shares in Oil Drilling and Exploration Ltd to IEL. This sale required very complex accounting treatment in order to preserve equity between the companies while ensuring that no profit accrued on a group basis in respect of what was purely an internal transfer. Last, but not least, the results of all subsidiary and associated companies are subject to further adjustments and provisions in the consolidated accounts. *These arise in respect of matters which are relevant to group policies and intentions but which do not affect individual companies at that stage.*" (*NBR* emphasis).

Is the "miscellaneous contingencies" increase part of the matters which are "relevant to group policies and intentions", or is it something else?

If the massive increase in the provision turns out to be presented "very conservatively", a partial reversal may be necessary at some future time, in which case the operating surplus for the year might move up accordingly, unless there are other adjustments and provisions relevant to group policies and intentions.

The maze of companies which are included in the Brierley empire, and the bare notes to the accounts, allow no meaningful analysis of the group's annual report in the absence of additional information, which would require a book.

The auditors consider that, subject to the usual qualifications which are becoming a standard part of their certificate for Brierley, the accounts provide a true and fair view of the state of affairs as at June 30 1980, so a combination of their certification and Ron Brierley's views on equity accounting, have to be accepted as the basis of the presentation.

Brierley considers that it "is only a matter of time before our method is not merely endorsed but insisted upon by responsible professional bodies". Maybe, but in the course of doing so, he might tell us (as pointed out by another finance writer commenting on the accounts) the contribution from this country, so that the press and other analysts might see the error of their ways.

Brierley also refers to the auditors' qualifications, saying that they do not relate in any way to the accuracy or fairness of the accounts but are purely to satisfy the internal politics of the Society of Accountants.

The annual report, in a very technical area, fails to meet the provisions of section 161 of the companies act which refers to a directors report being attached to the accounts.

There is no mention of the amount which is recommended to be paid as a dividend, nor the amount which is to be carried forward to reserves. That is a pedantic technical point, and is unlikely to concern anyone at the annual meeting and after match function in Auckland on November 26.

O'Brien on business

Second sugar statement spells out policy

TRADE and Industry Minister, Lance Adams-Schneider, is disappointed with *NBR* over an article published on November 3.

We examined a curious one-page press statement from Adams-Schneider which said the Government had decided not to give the Canterbury Sugar Development Society any assurances that current policies on sugar imports and domestic sugar prices would be amended in order to accommodate a sugar beet industry.

Several questions were raised about the lack of information in the press statement, and we wondered whether answers would be forthcoming.

We finished with: "Well, if the Minister and his office run true to form, you can betcha that this week the Minister will issue another press statement, probably wishing 'to comment and take issue with the article in *National Business Review*', assuming we get into the Beehive these days.

"And that will be a good thing, because some more information might be forthcoming on the 'careful consideration of the many and diverse factors involved'."

By press statement dated November 6, "The Minister of Trade and Industry, The Rt Hon L R Adams-Schneider, has expressed disappointment with the article appearing in the latest issue of *NBR* on the proposal for production of sugar beet in Canterbury".

It would be interesting to know how such an experienced political campaigner as Adams-Schneider fell for our suggestion that he would issue another press statement, but perhaps he issues so many that wide-open traps are overlooked in the routine.

The Minister came up with three pages of statement, compared with one page in his first foray into the sticky sugar beet industry.

He says our headline ("Careful Consideration Thwarts Beet Sugar Venture") was misleading, the writer (me, folks) seemed undecided whether he wanted free enterprise or not, and there was an implication that the Government's consideration had been superficial.

Lance Adams-Schneider . . . three pages this time.

But, the Minister's first statement was woolly on the whole question of the industry and failed to say what "careful consideration" had been applied to the proposal.

The second statement says: "In fairness however, the Minister said, the writer was probably unaware that the proponents had been asking for certain long-term assurances before they would have the confidence to spend money on a full feasibility study for the industry". The Government was not prepared to give those assurances.

Sure, Mr Minister, we were unaware, and the reason we were unaware was because the first statement failed to spell out those assurances.

"The proponents had been seeking assurances that a local sugar beet industry would be favoured by a guaranteed share of the market and a price smoothing scheme. The Government did not think it was in New Zealand's interests to give such assurances".

Fair enough, free enterprise has to be free to stand or fall on its own merits. We are glad to see the Government now explaining that it is unimpressed by requests for guaranteed market share and price smoothing.

"As far as the question of comparative prices was concerned, the proponents themselves had recently drawn his attention to examples of fluctuating prices on the international market. These had moved up and down by several 100 per cent in relatively short periods and in the Minister's view this volatility would persist.

"It was dangerous and unrealistic, he said, to assume in assessing the viability of a new industry for New Zealand that the current world shortage of raw sugar would continue or that international prices would remain high.

"In any case it had not yet been established, by Canterbury Sugar Development Society, that there was a clear commercial advantage for local production over the landed cost of raw sugar obtained at favourable rates on long-term contracts from Australia and Fiji. A closer determination of prices for potential New Zealand production could only be arrived at by a fully detailed feasibility study". (Adams-Schneider also says the society could go ahead with a feasibility study, which would be expected of any commercial organisation before formulating a detailed proposal).

Good stuff, we do not want more expensive local industries unless they are price competitive in the market place without artificial aids, such as restrictions on the import of raw sugar and the possible introduction of price-smoothing schemes (Adams-Schneider's words).

"These were not prerequisites that the Government was prepared to entertain, specially when a full feasibility study had not been prepared and when considerable doubt remained about such aspects as costs of production and supply of this new crop or adoption of the crop by farmers on a sufficiently large scale.

"In addition, too much had been made of a reference in my recent statement about the possibility of negotiating improved arrangements for purchase of cane sugar in the context of the discussion of a Closer Economic Relationship with Australia. This was a possibility but it was purely speculative at this stage and was only one of many aspects to be taken into account".

Why did the first statement fail to say all this? We are as disappointed as the Minister.

And about the headline. We promise to reprimand most severely our headline writers, if Adams-Schneider also promises to do likewise to himself and his statement writers, go back to press statement writing school, and save us all time and trouble in writing articles about statement one in order to get statement number two which should have been statement number one.

"Do you remember, Hoskins, some little time ago, when we were extremely busy and very short staffed, when you told me that if I didn't like your work I knew what I could do?"

Stock Exchange weekly review

FOR WEEK FRIDAY NOVEMBER 7 TO THURSDAY NOVEMBER 13

	Last sale	Week's high	Week's low	Turnover
AIRWORK, 50C	135	...	...	0
7.5% PF	...	...	...	0
6% PR	...	...	...	0
AJAX G.K.N.	295	295	295	1600
A.J. WHITE	125	...	...	0
11.5% CONV PR	105	...	...	0
ALCAN, 50C	170	170	148	4000
A.M.I.	240	240	235	[illegible]
ALLIANCE, 50C	65	65	63	[illegible]
12% CONV PR	50	50	50	400
ALLFLEX	117	117	112	[illegible]
ALLIED FARMERS	320	320	[illegible]	[illegible]
12% CONV PR	320	320	315	[illegible]
ALLOY STEEL	215	...	...	0
[illegible]				0
A.M. BISLEY, 50C	220	220	215	100
AMPOL PET., 50C	266	272	266	12900
A.BEAVEN	120	125	115	[illegible]
11% CONV NTS	115	118	110	14900
11.5% CONV PR	105	105	100	[illegible]
ANDAS GROUP	120	120	120	2100
5-6.5% PR	42	...	...	0
12% CONV PF	95	...	...	0
ANZ BANKING GROUP	250	250	245	[illegible]
A.WRIGHT	360	...	...	0
"A" 6-7.5% PR	90	...	...	0
"B" 5-6% PR	60	...	...	0
A.BARNETT	240	240	240	[illegible]
A.ELLIS	20	20	[illegible]	21700
ARTHUR YATES	382	382	375	[illegible]
12% CONV PR	146	146	146	100
ASHBY BERGH	780	...	...	0
A.B.CABLES	195	195	195	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Government administration

Energy group named – but there's one to come

by Rae Mazengarb

THE Energy Advisory Committee – the formal channel for public input into energy planning – was named last week by Energy Minister Bill Birch.

But as *NBR* went to press last week, it was still one member short, after initial attempts to recruit a trade union representative failed.

NBR understands Electrical Workers Union secretary Tony Neary declined the position.

First envisaged in the 1975 National Party election manifesto and again referred to in the Government's Energy Strategy '79, the 12-member team will have as its main task the annual assessment evaluation of the *Energy Plan*, and will provide the Government with complete and co-ordinated feed-back together with future policy suggestions.

Its establishment is belated. The Government's first *Energy Plan* – published some months ago – stated: "The Energy Advisory Committee has been established. . ."

The 1980 plan has been publicly discussed – and criticised – without co-ordination by a group such as the EAC.

But, it is expected the advisory committee will hold annual public forums to discuss the energy plan.

Auckland University's Professor Ray Meyer will chair the committee.

Other members – reflecting consumer, industrial, environmental and social, professional and academic interests, or those with "other useful backgrounds" – are:

John Ingram, managing director of NZ Steel Limited;

Vivienne Boyd, member of the Royal Commission into Nuclear Power, president of the National Council of Women, member of the Consumers' Council (Ingram and Boyd will represent consumers);

Molly Melhuish, environmental and energy watchdog;

Dr Carolyn Burns, chairperson of Nature Conservation Council (who with Melhuish will represent environmental and social groups);

Richard Higham, director of the Business Study Centre, Otago University (who with Meyer will represent professional and academic interests);

Ian Dick, retired planner from the Ministry of Energy;

Alan MacKney, former director of New Zealand Forest Products and other companies, former member of the National Research Advisory Council and member of the Atomic Energy Committee (1958-60);

Laurie Duckworth, Blenheim builder with community interests;

Doug Ellis, retired from Electrical Supply Authorities Association;

Dr Basil Walker, ex officio member from Ministry of Energy.

The committee will meet for the first time in Wellington on December 5, when it will decide on a regular arrangement for further meetings.

It is understood there will be about 15 days of meetings each year, but Meyer pointed out it is early days yet.

The committee has no official premises but has been allocated initial funding to support one servant (an advisory officer from the Ministry of Energy), regular meetings, and either an annual conference or individual seminars.

Tony Neary . . . declined the job

"When the committee meets, it will review the on-going needs for resources," Meyer said last week. The resources were "adequate to get started", he said.

The committee will be looking at the terms of reference to see if they are "appropriate".

Immediately it will be charged with examining the process of forecasting and planning energy demand, assessing the social and environmental implications of planning, advising the Secretary of Energy on these matters and making findings public "after consultation with the secretary".

Meyer said the committee would have the right to take initiatives on related matters but basically the group would be looking at what the Government was doing and bringing the opinions of "a well informed group" into the planning process.

"It's a good move on Government's part," he said. An "interesting group of people" had been put together.

He could not pre-judge what the committee would do, Meyer said, but he suggested there would be a number of issues to isolate.

He was keen to establish links with other bodies, such as the Environmental Council, and to look at particular energy developments, he said.

The EAC is expected to take an early look at Taranaki and talk with regional government representatives about the future, direction of developments in the area.

Overseas trade

Bedsore balms market born from chance meeting

by Warren Berryman

THEY met by chance at the opening of New Zealand's sumptuous embassy in Washington DC last year and talked exports.

Two expatriate Kiwis – Mark Wild, the former Chief Justice's son, just arrived from Europe after a stint with Rosenthal of Germany, and Michael Okkerse who had been four years lecturing in law in the United States – were awed by the vast potential of the America market. Both were sure there was a hole in that market for New Zealand.

Their strategy: Identify New Zealand technology and raw materials and apply them to the American market – a case of making what the market wants not pushing the market to accept what we make.

Wild, with his selling ability, stayed in Washington. Okkerse returned to Wellington to take up a position with Stock (Imports and Exports) Ltd, part of the stock group of companies dealing in automotive and industrial imports.

From the chance meeting in Washington, Stock Wild and Co was born. Wild sells. Okkerse supplies.

Stock Wild and Co, with a capital of only $1000, is tiny by American standards. The name of their game: export brokers, direct indent, no warehousing.

The immense size and rough-and-tumble competitive nature of the American market daunts many New Zealand exporters. But talking to *NBR* in a downtown Manhattan bar recently, Wild seemed supremely confident.

Not surprising, perhaps. Wild was the man who talked the British House of Commons into buying German crockery from Rosenthal, evoking a minor storm in the British press and some displeasure from British ceramic manufacturers.

With an eye out for the big chance, the duo from Down Under appear to have already found a hole in the American market and created a whole new market for New Zealand sheepskins.

The same sheepskins that have been trickling into the United States for car-seat covers and floor mats also have a 2000-year-old reputation as a cure for bedsores. The British have been aware of it for years. The Americans were not.

With a bit of financial help from the Wool Bureau in New York, assistance from the New Zealand Wool Board, and the lure of market development incentives. Wild sprang the idea on the American Health Care Association's trade fair in Atlanta and received a positive response.

Marketed under the name "Natrawool", with American Food and Drug Administration approval, New Zealand sheepskins are being offered as heel and elbow protectors, bed mats, and wheelchair covers.

Wild estimates the market for the Eastern Seaboard of the United States at $250 million a year.

Until now the Americans have been relying on synthetic products to relieve bedsores. But natural wool has the cushy resilience synthetics lack and wool absorbs moisture (the prime cause of skin breakdown) and generally lasts longer.

When Stock Wild and Co entered the America market, there were no competitors. But Posey, of Arcadia California, has expanded its product range to include sheepskin products – supposedly made of New Zealand wool.

Posey is expected to come out with a range of products made from "sliverwool" a fleece-like product made from wool spun onto a cloth backing. This product, not made in New Zealand, has an advantage over natural fleeces in that it is easier to wash.

Stock Wild and Co is agent for Dermalex, a British company dealing in washable New Zealand wool products for use in the treatment of pressure sores.

Supply of suitable product has been the major problem for the new venture.

New Zealand processes only a tiny fraction of the sheep skins produced here. It is often easier to obtain supplies of New Zealand leather or fleeces from

Kiwi sheepskins . . . being offered as heel and elbow protectors

Britain or Australia than from New Zealand.

Wild recently penetrated the inner sanctum of the multinational Revlon corporation to get a market feeler for some 20 million virgin lamb powder puffs to satisfy American women's cosmetic requirements. The trouble started when he tried to get supplies.

The hopeful supplier sent samples – one in "nigger brown". Fat chance of selling this in colour-conscious Washington which is 75 per cent black. "Why not "honky white"? Wild asked.

The Revlon deal is still being negotiated and suppliers, willing to come up with a competitive price for volume sales, are still being sought.

A Wellington manufacturer, Lynwool Enterprises Ltd, has a sheepskin manufacturing plant and is linking up with Stock Wild to tap the American market.

Hallmark International, producer of "woolrest" fleece bed mats, is discussing an agency agreement with Stock Wild. And Fabric Weavers Ltd, of Hastings, also negotiating with Stock Wild, has come up with a cut pile woven wool product, being tested by the Wool Board, that might beat sliverwool in the market-place.

For Wellington-based Stock (Imports and Exports) Ltd, it is the first major foray into the export market.

Wild although he worked for foreign companies, has been on the lookout for export opportunities for his homeland. When his past employer, Rosenthal, decided to diversify from its traditional market base in procelain into exclusive furniture and wanted fine leather, Wild tried to swing the deal to New Zealand tanners. A series of letters to the New Zealand Trade Commissioner in Bonn did not even evoke a reply. Rosenthal went elsewhere.

Wild has had better luck with the trade commissioner in Washington and with the Wool Board.

The market appears to be there. The question is whether the New Zealand wool will come from New Zealand or elsewhere to meet the demand.

The case of the cookie that didn't crumble

by Grev Wiggs

ONE of the sad facts of marketing is that failures greatly outnumber successes when it comes to launching new products.

Strangely, the reasons for failure generally become painfully obvious when the inevitable postmortem is conducted.

If there has been a primary marketing blue, such as an error in pricing, sizing or packaging, you can expect the project to bomb out.

Successful marketing is dependent on the cold reasoning and analysis that follows the examination of carefully collected marketing data.

Today, that must include the hard facts gained through marketing research, never forgetting that consumer opinions and attitudes have all the validity of fact in marketing terms.

Far too often, research is included in the rationale as marketing tokenism, not as evidence to be examined but as a prop for an argument already advanced.

Ken Fink-Jensen would put it this way: "Marketing research will not only help you to understand your market better but help you to make better marketing decisions. It assists you to decide on the best of the alternatives open to you."

Fink-Jensen heads up the Wellington operation of Heylen Research Centre and works closely with and directs marketing research on behalf of a number of advertising agencies and their clients.

Heylen Research was teamed with SSC&B: Lintas Worldwide and the staff of Aulsebrooks, including personnel from R&D, production, purchasing, sales and marketing in a two-year development programme to produce and market a new biscuit.

It provides a case study in which research played not just a useful part but a dominant starring role ... the case of Aulsebrooks Farmbake Cookies ... the cookies that did not crumble in the marketplace.

Aulsebrooks had in mind the idea of marketing a product that closely resembled a homemade biscuit or cookie, using only natural ingredients. A successful outcome would increase market share and provide incremental business and profit.

The concept raised questions: Would this kind of biscuit answer an evident nostalgia for old-fashioned products, and would it provide an adequate substitute for homebaking?

A team was set up, consisting of the marketing and product managers from the client, an account director and members of the creative team from the ad agency and a director and research manager from the research house.

The brief was simple: To discover what needs in the market could be satisfied by this special cookie type product.

Desk research turned up the fact that two kinds of cookie were currently available. One kind was packed in cello bags and could be described as low quality at low cost. The other, also in cello bags, were minor or house brands.

The next research project consisted of group discussions with six to eight consumers and researchers discussing, in an unstructured way, aspects of buying or homebaking cookies.

From these discussions emerged findings that cookies in cello bags were cheap, but not necessarily good value, and major brand cookies were expensive and contained artificial ingredients. Homemade cookies, on the other hand, were natural and good for you.

The conclusion was reached that a market could exist for a cookie resembling a homemade one, containing only natural ingredients and providing good value for money ... a product moreover, which could be produced by existing labour skills and plant.

These findings were developed into concepts ... idea frameworks which could be explained to consumers. The key ideas in the concept to be tested were those of a cookie made only from natural ingredients and providing good value for money with lots of cookies in the pack and with a type of packaging that would preserve freshness.

For this research, Aulsebrooks bought into a Heylen omnibus survey which provided a random national sample of 1000 and produced 467 grocery buyers.

The survey provided some useful answers. The heavy users were found in households with children. Cookies were bought by about 11 per cent of households, more frequently than other types of biscuits. The reasons for purchase were also established.

Importantly, the estimate of market size indicated that it would easily support another brand and a modest share would show a profit.

The decision was made to launch a cookie in a re-sealable foil-lined bag offering value for money.

It still needed a name — one which would best communicate the product characteristics such as homemade, natural ingredients, value for money.

Again research was used to test a short list of names. Individual depth interviews established the associations and connotations of the names suggested. The name Farmbake won out.

The stage was set to test the package. The agency had prepared mockups of different sizes. Face-to-face interviews were used to find out what the package communicated, what sizes were preferred and how that choice was affected when prices were disclosed.

The result conclusively showed that the pack design conveyed all the right associations and that the preference was for the 400 gram packet at the indicated price. The decision was made to proceed.

Up to the "go — no go" point of decision, Heylen had been testing a non-existent product. The only above the line investment had been in research and, if the findings had been unfavourable, the exercise could have been aborted for the research cost only.

But, with the decision made, the cookie was produced in a number of variants and the advertising created so that it was possible to test the total proposition.

In a face-to-face test with 64 housewives, the advertising was tested for its message and clarity and the cookies were tasted by the respondents who were able to compare them with other brands.

The respondents got the message that Farmbake cookies were nourishing and wholesome, were natural and contained nothing artificial, were like homemade cookies and were, in fact, an old-fashioned kind of cookie.

A high proportion would buy them at the proposed price, two-thirds preferred them to the cookie they normally bought, and, because there were more to the pack, they represented better value.

The decision was made to launch as soon as possible in the top half of the North Island.

The rest is a success story.

At the time of writing, Farmbake has been selling for four months in the Auckland territory, two months for the rest of New Zealand.

It has achieved over 50 per cent of the volume target set for the first full year. Against a budget share of 3 per cent of the total biscuit market, it is currently achieving 5 per cent. Aulsebrooks has a tearaway success and a new image as an innovator.

The salient points of the exercise were outlined by Aulsebrooks marketing manager, Bill Peake, who told *Admark*: "For a new product to succeed in today's competitive environment it must fulfil specific consumer needs.

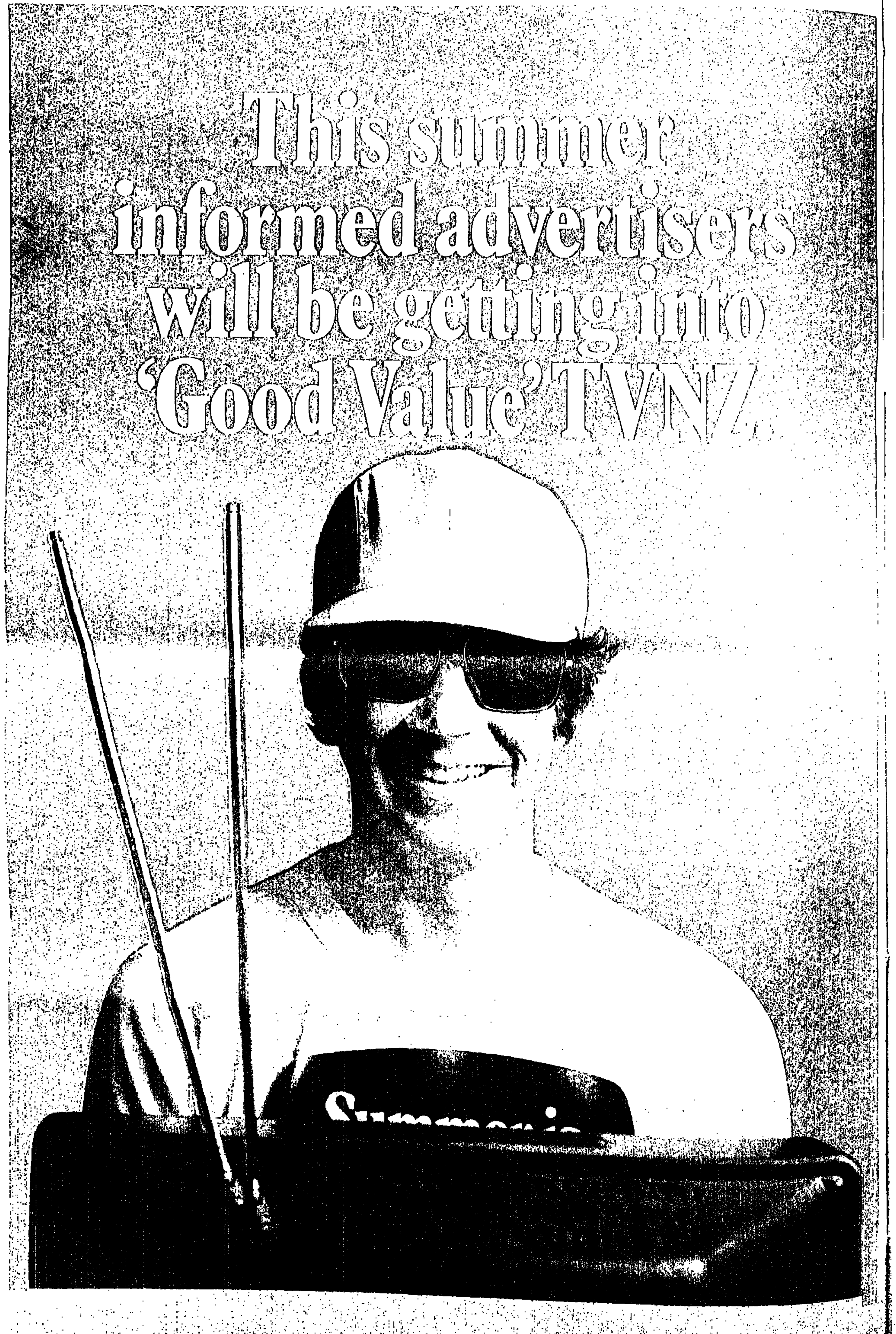
"It is imperative that a manufacturer commissions sufficient market research to enable it to correctly identify the needs of the consumer and that all elements of a new concept — be it product, packaging, price or creative execution are tested to ensure they invoke the right consumer response."

If this account reads like a too perfect case study in which nothing ever goes wrong and one correct decision inevitably follows another, then consider.

Each of the questions asked of the ultimate consumer produced a usable answer. The answers guided the framing of the next question. The input of consumer opinion produced the situation where the designers of the product, the package and the advertising simply had to satisfy the wants of the consumer which had been so clearly spelled out.

The questions were sequential as were the decisions and the action. Each proceeded from a firm base of confirmed marketing fact.

In actuality, the facts were the opinions of consumers derived from research. But as consumers' decisions are motivated by their opinions, then the opinions have all the force and validity of verified fact.



TVNZ 'GOOD VALUE' Summer Package

Put on your summer gear and get into the TVNZ 'Good Value' Summer Package.
Discover the real advantages of TV advertising during the mid-December, January, February period.

Taking a brighter look at summer viewership

Got your sunglasses ready? They'll protect your eyes from the dazzle of some pretty convincing statistics.

We compared the BCNZ surveys of Christmas last year, and July this year, to discover if there was any truth in the myth that summer advertising on TV doesn't pay off.

As an example, let's look at the average rating of all people 10+ watching TV One at 8pm during a commercial week. The average rating for winter was 29.5, and for summer 23.3. The ratio of the summer rating over winter brings us to .79 — meaning there's a 79% viewership in summer compared to winter.

Now let's find the ratio of commercial cost during summer over that during winter. The figure is .49.

We can conclude, therefore, that for 49% of the cost during summer, you're able to reach 79% of the viewing audience.

There we have it! Another myth torn to the ground. Summer certainly is 'Good Value' on TVNZ.

Be prepared! [illegible]

We don't want you to go through summer unprepared, besides, nobody wants to get their nose burnt. *Television New Zealand* plans an onslaught of some pretty hot programmes this summer. Have your advertising agency check the schedules, and keep a tab on these programmes. The top favourites are there, plus new treats... make use of them, and the discounts available, to capitalise on your advertising dollar. The TVNZ 'Good Value' Summer Package gives you the chance to follow your nose, without paying through it.

All-round promotion

It's all very well us promoting ourselves to you, the advertiser, but we also intend to promote ourselves to the public. Viewers will be kept up to date with top programmes, sporting events, and competitions including *Mystery Minutes*.

The public will become aware of what's happening, and when... it's up to you to make the most of it. This summer promises maximum audience delivery for your advertising dollar. As the Tee-shirt says... 'Summer is Good Value on TVNZ'.

With great discounts to cap it all off

This summer TVNZ caps it all off with great discounts applying from December 22, 1980 to the end of February 1981. New, extended time zones on both channels allow for the impressive line-up of programmes, and, of course, your commercials.

You're in for a great deal when you make full use of 'Good Value' Summer TV.

So go on, cap it off. Hold an extra Christmas Work Party to celebrate your great success in advertising on summer TV. What a great way to start the holidays.

Television New Zealand

"Exploding the myths about summer advertising"

Construction industry

Contractors size up the boom expected to be generated by the big industrial projects

by Greg Newton

THE construction industry is appraising the extent of the boom that will be generated by the major industrial projects that will proceed during the 1980s.

The dozens of *ad hoc* statements made in the last 18 months by Government, state corporations and private sources have been drawn together in recent months by the publication of the *Energy Plan* and in a speech by Energy Minister Bill Birch to the Contractors' Federation conference.

The development soup was further thickened late last month when Prime Minister Rob Muldoon, announced that extra income expected from the settlement of lamb and dairy product deals with the EEC would be spent on building up the country's economic infrastructure.

The National Roads Board, which missed out on the supplementary allocations this year, already has its hand out for more in the pre-Christmas mini-Budget.

Most impact from the development projects will be felt in Northland, Taranaki and Otago, while South Auckland and some South Island regions stand to make smaller gains.

Considerable concern is still being expressed at the ability of the rundown construction and building industries to handle the challenges. Recent predictions by the Building Advisory Council that prospects for the current season are, at best, discouraging.

But the letting in recent months of major contracts associated with the Upper Clutha development, two big coal mine overburden stripping contracts and a $20 million contract for construction of the Patea hydro-electric scheme have lightened some of the depression.

Investment in new construction equipment, particularly that used in forestry and land development, also seems to be increasing. One major importer, Gough Gough and Hamer Ltd, reports a good month in October and others are experiencing strong demand.

Another major cause for concern is the continuing massive escalation in construction costs (expected to rise by 23 per cent in 1980-81, following a 30 per cent leap in 1979-80).

The projects that are expected to heavily tax the construction industry's resources during the rest of the decade, region by region, are:

In **Northland,** the first contracts for the $500 million expansion of the oil refinery will be let in early 1981. The entire project is due for completion in 1984.

NZ Refining Co Ltd and its main contractors, Badger BV of Holland and Chiyoda Chemical Engineering and Construction of Japan intend, to use existing capacity in the local construction and fabrication industries before letting work overseas.

Construction work is expected to provide 1200 jobs and operation of the extended refinery will employ 400 people, compared with the 230 employed at present.

Marsden Pt, by 1985, will see the construction of a $150 million pulp and paper plant by New Zealand Forest Products Ltd. Construction will involve up to 1000 people and several hundred jobs will be created. Work is expected to begin in mid-1982.

Associated with this development will be the construction of a $50 million deepwater forestry port that will provide a 30 hectare cargo assembly and storage area and three 260 metre berths capable of handling ships of up to 40,000 tonnes dwt. It is intended that a railway line will be built to link Marsden Pt with the Auckland-Whangarei line.

The construction of a port in the far north is under consideration. It would allow timber from the region's major forest, the Aupouri, to be barged to Marsden Pt.

Northern Pulp Ltd has announced plans for a pulp mill, to be followed by a paper plant, which will probably be built in the far north. The timing of this project will depend on timber availability.

A contract for the $33 million conversion of the Portland cement works has been awarded to Wilkins and Davies Ltd. This development will make cement production more economic, halving Wilson NZ Portland Cement Ltd's annual energy bill.

In the field of electricity generation, investigations have begun into the practicability of converting the moth-balled Marsden B power station to coal-fired operation, and testing of the Ngawha geothermal field near Kaikohe is expected to start soon.

A 100MW power station, due for completion in 1992 after approval is granted in 1985, will be sited if the field can support a station for its estimated 25-year life.

Construction of a Whangarei-Auckland oil products pipeline is likely to go ahead, once American consultants Pipe-tech have updated 10-year-old reports prepared for New Zealand Refining. This project, which would be completed at the same time as the refinery expansion, would cost up to $100 million and employ 200 people during construction.

In **South Auckland,** the expansion of NZ Steel's Glenbrook mill is a huge project in its own right which will involve considerable spin-off activity throughout the region.

The project is scheduled for completion by 1987, and will cost much more than the $600 million now estimated. Steel production will be increased from the present 150,000 tonnes/year to 775,000 tonnes/year, and employment will be provided for another 750 people once the extensions are complete.

Spin-off associated with the development will include the expansion in coal demand from the Huntly mines by 750,000 tonnes/year in 1984-86, a boost in ironsand production at North Head Port Waikato from 300 to 2000 tonnes/hour, the construction of an 18 kilometre rail line to link the ironsand deposits with the steel mill, and the provision of a pipeline to draw water from the Waikato River, and connection of the mill to the Huntly-Auckland Maui natural gas pipeline. Work on this started over a month ago.

The *Energy Plan* says that the increased demand for Huntly coal will require the immediate expansion of production from the recently developed Huntly East mine, the opening up of a new underground mine by 1987, and substantial opencast development in the immediate future. Another underground mine will have to be commissioned in the early 1980s.

The location of these mines is now being planned. An announcement of their siting and other development information is expected next March.

Two new power stations, on top of the completion of the long-delayed Huntly project, will be built in the region.

Work is expected to begin on the Ohaki geothermal project, sited on the Broadlands field about 20 kilometre from Wairakei, is expected to begin next year. This power station will generate 100MW when completed in 1987.

Another coal-fired station, designated simply North Island Thermal, will be sited in the lower Waikato adjacent to the mine chosen at best able to supply the 50 million tonnes of coal it will use in its existence. This 500MW station must be approved by 1984 if commissioning by 1993 is to be achieved.

In **Taranaki** the first contract for work associated with the first petrochemical industry — the long-delayed and controversial Kapuni ammonia-urea plant — was let last month. Hurlstone Earthmovers Ltd are now engaged in site development works.

Most of the plant will arrive in this country by the end of the month and the main contractor, Capital Plant International, expects the plant to be in operation by 1982. The site manpower will reach a peak of 350, and operation will involve two 50-man shifts.

The fast-track procedures of the National Development Act are being given their first trial in the construction of the Petrocorp-Alberta Gas methanol plant at Waitara. This $130 million project is due for completion in 1983 and the first contracts are expected in 1981.

This project is expected to provide a training ground for workers who will go on to other jobs. Related work involves the construction of a pipeline to take methanol from the plant to Port Taranaki and the construction of two 27,000 tonne storage tanks at the port.

A final decision to proceed with the synthetic petrol plant is expected from the joint Mobil-Government project by the middle of next year, with siteworks due to begin in late 1981 or early 1982 for a 1986 completion.

The $500 million job involves the construction of two methanol trains and the Mobil converter that changes the methanol to synthetic petrol, and will employ more than 1000 at the peak of construction.

The Bechtel Corporation has been appointed project services contractor, and Davy McKee of Florida is undertaking process design. The overall project will be under Mobil management.

Few details of this project have been released but the Kapuni natural gas line may be used to direct product to Auckland. The size of the project will also mean development in north Taranaki.

Plans by the Liqui-gas consortium to develop LPG distribution facilities throughout New Zealand are in their earliest stages at the moment. Progress will be determined by the rate at which demand for Maui gas increases.

An LPG pipeline from Oaonui to Port Taranaki and storage facilities are due for completion in 1982. Future proposals include the development of port facilities in Auckland, Wellington, Lyttelton and Dunedin, with possible future moves in Nelson and Bluff. The total cost of the network has been estimated at $60 million, including the cost of pressure storage vessels, and a coastal tanker.

The Taranaki Harbour Board has announced a $52 million development for New Plymouth's port, including wharf extensions, construction of a bulk fertiliser store and shiploader, harbour dredging and breakwater strengthening.

In **Otago,** construction of the Upper Clutha hydro-electric scheme is being moved into a higher gear after the grinding pace of development in recent times.

Both the Clyde power project, which involves the construction of the largest concrete structure to be built in this country, and the largest concrete structure to be built in this country, and the Luggate power project, which includes an earth dam, canals and a power station, are due for initial commissioning in 1988.

Contractors are pressing hard for a Government decision to build the Clyde dam by contract and some resolution of the drawn-out confrontation between the private sector and the Ministry of Works and Development is expected soon. Initial indications are that the Luggate project, which has a large earthmoving component will be built substantially by contract.

The flooding of the Cromwell Gorge by the Clyde dam will mean the construction of a new high-level road and work on this has started from both the Clyde and Cromwell ends.

The Clutha River at Clyde is scheduled to be diverted by 1982 and tenders were recently called for the supply of major items of construction plant including cableways, a concrete batching plant, and large tower cranes.

Investigation work at Luggate is nearly complete and National Development Act procedures will be started by June 1981 so the project can be approved in 1982.

Planning for the two Kawarau river dams, both concrete, and the Queensbury dam on the Clutha River is not so well advanced but all, except one of the Kawarau dams, are due for commissioning before the end of the *Energy Plan's* 15-year schedule.

New Zealand Cement Holdings Ltd is expected to make a decision on whether it will proceed with the construction of a new cement works at Oamaru in early 1981.

This plant will replace the out-dated Milburn works near Dunedin. Tenders have been called for the supply of plant to the works and the decision will depend on the results of an evaluation of these tenders. The plant will be sited at Weston, just inland from Oamaru, and will employ around 120 people who will live near the plant and in Oamaru.

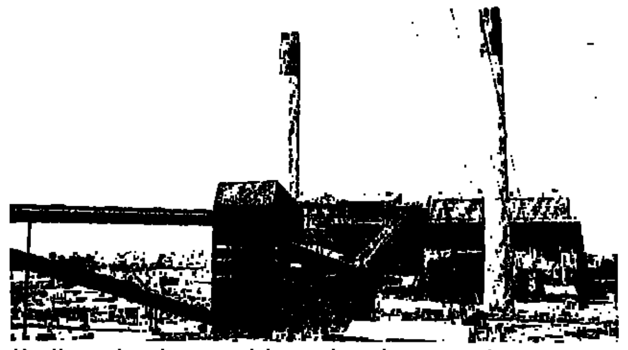
A final decision on the site for the $600 million Fletcher-CSR-Alusuisse aluminium smelter is expected soon. The plant, probably going for the prize of most controversial of the proposed developments, is due for completion in 1986 but this timetable may prove optimistic if the anti-smelter lobby has its way.

Sites being inspected include two in Dunedin, one at Timaru, and one near Invercargill.

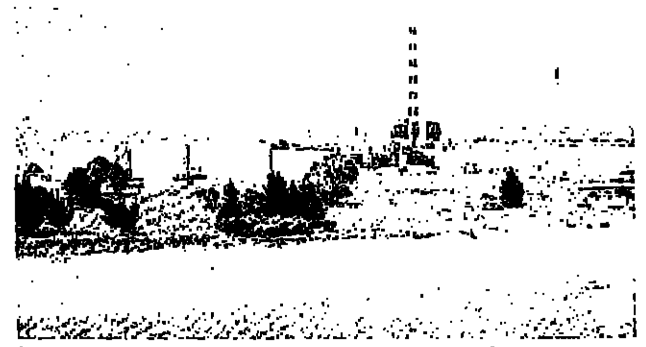
Construction will involve more than 1000 people as will operation of the completed structure. Recent surveys indicate that up to another 2000 jobs will be supported off-site once operations commence. But this, may just absorb slack existing in Dunedin, which has been extremely hard hit by the closure of major industries in the last 18 months.

Work on the construction of the third potline at Comalco's Tiwai Pt smelter near Invercargill is already in its early stages and the $200 million job is due for completion in 1982. Work will be released in bid packages tailored to the resources of the construction industry.

The new potline will add 350 people to the Tiwai Point workforce.



Huntly coal . . . increased demand requires expansion



Marsden Point . . . pulp and paper mill starts in 1982

In **Nelson,** CSR-Baignet have struck problems with their proposal for a $100 million thermo-mechanical pulp mill to be sited about 20km south of the city. The Waimea County Council refused planning approval for the project last month, but their decision is likely to the subject of appeals to the Town and Country Planning Tribunal.

Regardless of the fate of this proposal, some form of major timber processing industry is sure to be established in the province during the coming decade.

In **Otago,** Odlins plans the construction of a pulp mill to begin production in 1984, using timber from the Otago coastal and Berwick forests. Feasibility studies are being prepared.

Four sites are under consideration, with Balclutha apparently a highly favoured option.

This development and the aluminium smelter are likely to lead to further development of port facilities at Port Chalmers, Dunedin.

In the **North Island,** electrification of the main trunk railway line is due for completion, between Palmerston North and Hamilton, by 1987. A Railways Department investigation team is working on this project, and recently leaked reports indicate that the Hamilton-Taumaranui section could be electrified by 1984.

Work on this project involves the erection of power line gantries, the lowering of the rail bed in several tunnels and under bridges, and some corner softening and weather protection works.

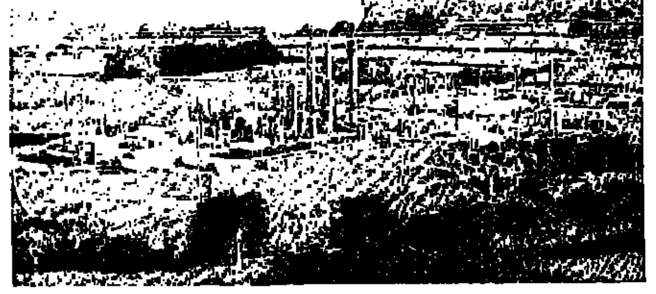
Fuel supplies: thinking small could spell survival

by Les Cleveland

NEW Zealand's survival as a nation requires a much more flexible energy plan than the Government's current attempt.

We might be lucky. We might reach the 1990s without a major fuel supply breakdown — but who can be sure?

How would we manage if war or political disorder in the Middle East fractured our fragile supply line for imported fuels?



Maui Installation . . . could be easily knocked out

The Commission for the Future has already warned of possible increases in the price of oil, taking it away outside our capacity to pay.

It is obvious that the Government's energy plan needs modification to allow for a crisis situation in which we become totally dependent on what we can manufacture here.

That is why we should start altering our priorities.

The LPG programme needs speeding up, and we should face the possibility of having to run most of the private vehicle fleet on either ethanol or methanol and synthetic petrol.

But even if within, say five years we could have enough vehicles converted to LPG and enough output from methanol and synthetic petrol plants to reach self-sufficiency, there is still a nasty problem to be faced.

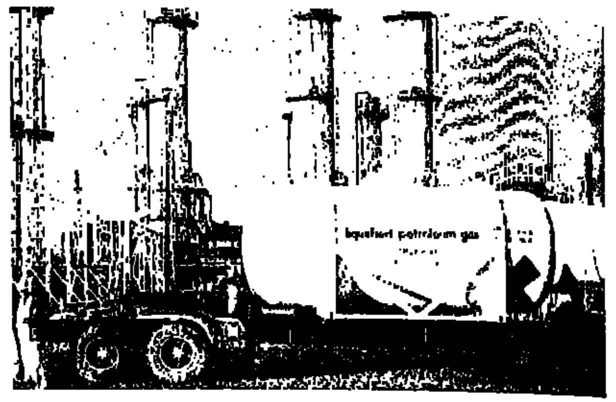
From a strategic point of view all this plant is too vulnerable. In the event of an armed attack the Maui gas installation and all its associated large-scale works could be easily knocked out, along with any bulk storage tanks.

In a few minutes New Zealand could find itself entirely dependent on alternative, indigenous sources of fuel.

I will not discuss the disturbing implications of this for our defensive strategy and for defence spending, but once several thousand million dollars worth of plant has been assembled in Taranaki, it is going to require rather more protection than the notional variety offered under the Anzus agreement.

Taxpayers can expect that thinking big industrially will inevitably mean thinking big militarily. Even then there is no total guarantee of security.

That is why flexibility would pay off. While constructing giant projects for the exciting and prosperous future that Cabinet is always telling us about, we should be craftily taking out some insurance by making the most of any small scale, indigenous, renewable



LPG . . . programme needs speeding up.

resources we can scrape up, in case we have to fall back on them in a crisis.

Quick results could be obtained immediately by using the possibilities that exist for small-scale production of ethanol from crops like barley and sugar beet. The crops could be grown by our own farmers and processed in plants constructed in local areas to suit each one's requirements. Such schemes do not need large capital investment and have the attraction of being labour-intensive, a prospect of importance in a time of rising unemployment.

Localised manufacture and distribution of the product would mean that energy is not consumed by delivery to distant parts of the country. If such plants were owned and operated by local interests they could be commercially competitive with the output from whatever large-scale operations the oil companies and the Government continue to practise. In this respect they should gratify the free-enterprise sentiments of National Party Cabinet ministers as well as expand the small business area of the private sector.

Output from a local, agriculturally-based industry could be obtained very quickly — within the time required to plant and harvest a crop. What is needed are some field trials on a commercial scale to establish the basic economics of the project, in conjunction with price-fixing decisions that ensure its profitability.

Possible models for such a scheme can be seen in the tradition of farmers' co-operative ventures, or in the Linen Flax Corporation which was hastily set up during World War II to grow crops for processing in the 17 factories that were built.

It might be objected that any significant production of fuel by such means would divert cropland away from other uses. But biomass can also be obtained from trees, and it has been estimated that there are 4.2 million hectares of scrubland and marginal farmland in New Zealand suitable for growing connifers. They require a lead time of about 15 years before harvesting, not a short-term solution to the fuel problem, but in the medium-term it could offer a useful source of additional liquid fuel.

It also offers permanent careers in a greatly expanded forestry operation as well as a large volume of casual and contract work that could help reduce unemployment, specially among the younger section of the labour force. On this ground alone, the scheme would be well worth adopting.

Much of the Government's thinking about energy has been directed to the problem of making the best use of the Kapuni and Maui gas bonanzas. Perhaps it should have been more concerned to get the most out of the country's other greater asset — electricity.

From the national security point of view there is a lot to be gained by electrifying and extending the entire railway network if, at the same time, all freight operations were rationalised with the object of reducing the volume of road haulage and making it possible for the railways to operate profitably.

All this demonstrates that energy planning should not be tackled in a piecemeal manner and that at the centre of it there should be a comprehensive, national transport policy that is concerned with crisis management strategy as well as whatever economic philosophy is fashionable.

— Les Cleveland is a reader in politics at Victoria University, Wellington.

So much to lose but oil goes on target list

by Patrick Cockburn of the *Financial Times*

THE security of the Middle East's oilfields is no longer sacrosanct. Legislation to allow the preparation of a last resort measure — ration coupons for all motorists — was announced last week. It would become operative if war or other upheavals cut oil supplies by 15 per cent or more.

IRAQ's attack on Iran was what everybody in the Gulf most feared.

For the first time two major oil producers were at war and did not hesitate to attack each other's oil facilities. Within a week Iraqi shells were raining down on Iran's main refinery at Abadan. The Iranians replied in kind, jet bombers zeroing in on refineries, pumping stations and loading systems from Basra to Kirkuk.

But four weeks after the war began the results had not had the immediate catastrophic effect which might have been predicted. Other Gulf producers decided to keep out of it. Having examined the various political alternatives open to their small and militarily vulnerable states, Saudi Arabia and the others decided, as they have so often done in the past, to do nothing.

In part the relative calm with which the news of war was received was a result of the traumas which oil producers and consumers had been through in the last months of the Shah's reign. Iranian crude exports had slumped to 700,000 barrels a day in April. Stocks in the West were high.

But the importance of the war on future views of the security of oilfields in the Middle East lies in the fact that oilfields are no longer sacrosanct. It had been argued that the economy of every Gulf State is so dependent on oil that nobody would wish to attack an enemy's oil production. A counter-attack was too easy.

In the early 1970s and particularly in 1974-75, Iran and Iraq were on the point of war because of the Shah's support for the Iraqi Kurds. Iranian artillery provided tactical support for the rebels.

Saddam Hussein, now President of Iraq, made it clear that while he might lose a war against Iran he would still fight to the last round and, if defeated, he could take the Iranian oil facilities in Khuzestan province with him. It was noticeable that the Shah restrained the Kurds he backed from attacking the Iraqi oilfields around Kirkuk.

The threat which currently worries the West is not the medium-term absence of oil from Iran and Iraq, although this is clearly stiffening the price levels which the Opec hawks were finding difficult to hold. Immediately after the war began eyes turned, once again, to the Strait of Hormuz.

The threat to the strait has become something of a political cliché over the past two years. But it is no less potent for the fact that the problem has been argued over so endlessly. The Iranians can still, if driven to desperation, simply announce that they will try to stop or attack the next oil tanker passing through the strait.

It does not matter whether they have sufficient mines or artillery batteries to prevent all tankers getting past. The threat alone will increase tanker insurance to the point where the premium would become too high to carry.

Fortunately the worst moment in the war, the first week, passed without Iraq attacking the Iranian-held islands near the mouth of the Gulf. The United States was restrained in the aid it gave to Saudi Arabia. Everybody had too much to lose from a conflict in such a crucial area.

Washington was hopeful of the restraint shown by the Soviet Union in the first week of the war. Moscow already had alliances with Syria and Iraq, although a war of words continues between the Soviets and Tehran.

But it is difficult to believe that the Iranians will be able to conduct a prolonged war, as they have sworn to do, and at the same time maintain a foreign policy of glorious isolation, spurning all possible allies.

So, is there a real Soviet threat to the Gulf? The evidence for this is the invasion of Afghanistan at the beginning of the year and the suggestions that the Soviets will begin to run short of oil in the mid-1980s. This is slender evidence.

Control of some wrecked oilfields is unlikely to attract the Soviets and Afghanistan is not a good staging post from which to attack through Iran. The road systems run north/south not east/west.

Washington's claim that the Russian bear is about to march south to the waters of the Gulf has not won many friends. Local rulers are wary of Western powers showing undue eagerness to defend them, particularly since the West's need for Gulf oil is much greater than the Soviet Union's.

When President Jimmy Carter announced his intention to defend the Gulf at the beginning of the year Kuwait and the other small oil producers began to get extremely worried.

The problem for the oil producers is that with the exception of Iran and Iraq none of them can put a considerable army into the field. None can face aggression from outside with any confidence and none wishes to call in outside assistance. All the wealth in the world does not solve this problem.

All the arms purchases which Saudi Arabia and Libya have made over the past decade are not enough to make up for a small population. Technical skills are too thinly spread to allow for independent air forces — not reliant on Western techniques — to operate. The United States air force has its own considerable problems in maintaining its aircraft.

The weakness of the Iranian armed forces in the fighting has been due less to the will or the capacity to fight of its armed forces but rather to the weakness of its logistics. This is partly the result of purges but is probably equally true of the armies of other oil producers. Endless red tape, incompetence, corruption and too much equipment makes it extremely difficult for any army to obtain the supplies from its own reserves to fight a prolonged war.

During the Iran-Iraq war there is little the other Gulf producers can do except desperately try and avoid involvement. Difficult though their position is they can at least note, with some satisfaction, that internally the Gulf States have remained stable and the outbreaks of sectarian violence, sometimes predicted in the Western media, have not come to pass.

The danger lies in external aggression, not internal subversion.

Books

Douglas turning on the high-pressure hose

THERE'S Got To Be A Better Way by Roger Douglas was launched last week. Further excerpts from the book, published by Fourth Estate Books, are reproduced here.

KILLING THINGS

The most important Minister in the Cabinet should be the Minister in Charge of Killing Things.

The First Douglas Rule of Administration is: although it is easier to start something in business than to stop it, it is ten times easier again in Government.

Inertia keeps things going in business long after they are needed. In Government votes keep them going even longer.

Promising things is what politicians are best at. They think promises equal votes. Count up the promises they have made to you over the past 10 years. About the only thing they haven't promised you is free sex.

After elections politicians think they have to do something about their promises. Someone gets set up in some cubby-hole in another department. And once that happens it is mighty hard to winkle them out again. The committee to review the size of tap washers will still be there long after tap washers have been standardised. The departmental officer to administer the special benefit for the issue of sandpaper to needy owners of wooden legs is still there, though everybody has moved on to fibreglass. A bureaucrat, once created, has a life completely independent of his creator.

How about turning the high-pressure hose on those cubby-holes to flush out a few tap washer reviewers? For the next three years we should chop out three old policies (that's the bureaucratic name for promises) for every new one.

To put it in words of one syllable, for every dollar spent on doing something new, three old dollars for doing old things must go.

If you are hankering after a revolution, try that one for starters.

EMPLOYMENT

The provision of jobs is going to be one of the biggest problems of the 1980s. Capital-intensive developments is not the answer. We must look at other investment possibilities.

New Zealand and Australia are one labour market. Australia, with its huge development programme — around $50 billion — will be able to go on attracting skilled workers from New Zealand, leaving us with a shortage of skilled workers and a pool of unskilled people out of work.

Major works will not employ many people in New Zealand. We need a different development programme — one that emphasises tourism, horticulture, fishing and so on, using our natural resources and doing what we can do best.

Take Dunedin as an example of what can be done. There, 24 small furniture manufacturers have formed an export consortium. They need about $1 million for capital expansion over the next two years. That $1 million, if it was available, would bring $10 million of exports and finance 400 jobs.

Compare that with the proposed second aluminium smelter. There, instead of each $1 million of investment producing $10 million of exports, each $1 million of investment will produce $300,000 in exports. Instead of 400 jobs for every $1 million of investment, there will be one job. Are we mad?

IMPORT LICENSING

Import licensing costs money and puts profits in the wrong pockets. Phase it out.

Import licensing increases manufacturers' incomes at the expense of consumers. Manufacturing may often make big profits, but the profit to the country is small.

Import licensing encourages the production of things that New Zealand can never produce competitively. Manufacturers try to produce too wide a range of products.

Because it guarantees New Zealand manufacturers the local market all to themselves, import licensing allows them to pass on any costs, including costs relating to takeovers, into prices. This cost-plus mentality does not encourage efficiency.

The guaranteed local market means manufacturers are less likely to export than if they were producing competitive products that had to fight for a share of the local market.

Import licensing also encourages the growth of monopolies.

Import licensing can stop competing products being imported regardless of shifts in the exchange rate, or regardless of the way the price of the import changes compared with that of the local product. So import licensing allows New Zealand to maintain an artificially high exchange rate.

An overvalued exchange rate hurts farmers, who are our most important source of overseas funds. And because import licensing guarantees even inefficient manufacturers an income, it siphons investment money away from our most efficient industries — agriculture, horticulture, fishing and so on — and into manufacturing.

Import licensing in the long term does not guarantee jobs either. If we allow inefficient producers to use capital, labour and other resources, that slows our growth rate. A low growth rate means that in the end we cannot keep going the jobs import licensing is supposed to protect.

We must concentrate on encouraging the production of goods that can compete on world markets. In other words, we must do what we can do best. Otherwise, we are simply going to have less income than we could have as a country. And that means unemployment, a failing health and education system, a low standard of living.

How do you get rid of import licensing? The cold water treatment is the only one that will wake up manufacturers.

We should tell manufacturers that licensing will be virtually eliminated in eight years. Replace licensing with tariff protection. That way the excess profits go to the Government.

Retailing

Dozens of boutiques malling up Queen Street

by Gordon McLauchlan

THE commercial weight of Auckland's Queen Street is moving dramatically northwards, toward the Downtown Complex where the street flattens out on the edge of Waitemata Harbour.

Many of the big stores that once dominated the highest priced stretch of retail road in the country are being chopped up inside into malls with dozens of small, high-turnover boutique-type shops.

Fast turnover is necessary to pay the escalating rents.

Just opened is The Plaza Shopping Centres inside the former McKenzies building at the foot of Wyndham Street, sold after the Nathans takeover to Commercial Securities and Finance Ltd. The 40,000 square foot, on five levels was broken into 80 units which have now become 52 shops and restaurants following amalgamations.

Rents range from $40 square foot facing Queen Street to $30 at the back, facing High Street.

Key money ranges from $50,000 down to $5000 and "we don't make any apologies for that either", says developer Max Johnson.

Not far up the street, work has begun inside the Lewis Eady building, and the first of 26 shops on three levels should be open early in December. Rent and key money in Eady's Mall will be comparable with the Plaza.

Shops and restaurants have just opened in the lower floors of Office Block 3, the as yet unnamed building which is the last of the three main Downtown buildings being developed by the AMP.

A major project will start early next year to modernise the Queen's Arcade on the corner opposite the South Pacific Hotel.

Soon to be developed by AMP is the former Great Northern Hotel site on the other corner diagonally opposite the South Pacific. This development will either be an office block or a major international hotel — either way it will have shopping arcades in its lower floors.

One of the dangers foreseen, by some real estate people familiar with the market in the inner city, is that the small areas available at high rentals will lead to too many similar types of retail outlets — high-priced, fast-turnover fashion boutiques, shoe shops, menswear and specialty shops.

Some of the longer-established businesses fear competition that will rob them of their main attraction to out-of-town shoppers — stock in depth.

One long-time menswear retailers says customers know that shops in Queen Street and the large department stores nearby, such as the Farmers, have hundreds of suits, jackets and trousers to select from. This draws many of them in from the suburbs. He fears the fast-turnover, intensely promoted fashion shops will force up rents to the degree that the space needed for some of the menswear shops that stock in depth will become too expensive.

Another danger foreseen by observers is that the main business area in Queen Street will carry only insurance companies ("they virtually own the street now"), banks, and a myriad of small, superficially stocked specialty clothing and footwear shops.

Whether more highly specialised shops of a different character can survive in the refurbished Downtown will possibly be answered by the situation in Queen's Arcade when it re-opens around the middle of next year after substantial remodelling and modernising. The building is currently badly run down and the top two of the four floors have to be demolished. They are built brick-on-brick and cracks have appeared in the walls.

A perspex dome will be erected over the arcade and escalators will make the first floor readily accessible to shoppers from what will undoubtedly become the most thickly populated piece of footpath in the city.

Inside the arcade, at the moment, is the record shop with the most complete and wide-ranging stock in the city (Marbeck's), The Book Centre run by one of the two most expert booksellers (Robert Goodman), a second-hand bookshop that would rank with the best in the country (Rare Books owned by Anah Dunsheath), and one of the most interesting selections of coin, medal and antique shows in the inner city.

They have all been given notice by the owners, Davis Propertis Ltd, to vacate their premises by April 30 next year for up to four months while the massive redesigning of the building takes place.

Some of the shopkeepers are second generation tenants, (Marbecks and the Clark family in a shoe shop), and are going to be seriously disadvantaged by the need to vacate temporarily. They agree that the owners have been reasonable landlords over the years and they accept the need for refurbishing.

The rents will probably at least double for those who go back and renew their leases, up to between $20 and $35 on the ground floor and $15 plus on the first.

Inquiries suggest that a number of the specialised shops will be able to stand the increase, in the meantime, given the likelihood of an increase in business. If they cannot, they will probably be replaced by more boutique-like shops.

At the same time as Queen Street's retail centre of gravity moves northwards and traders miniaturise their operations, there is a will to fight back for some of the custom that has moved to the suburbs over the past 20 years.

Outgoing president of the Central Auckland Business Association (CABA), R C Johnson, claims the number of shoppers in Queen Street has been dwindling notably over the past 10 years. He said in his last report to the association that the task was to encourage more people in from the suburbs because central Auckland, at present, was mainly patronised by the 100,000-plus people who come into the city every day to work.

The rebellious shopkeepers of the Progressive Retailers' Association — many of whom faced prosecutions in the fight for Saturday trading — are now back in the fold of the CABA which is putting together a promotional fund, with $30,000 already promised.

"We're expecting something of a resurgence in Queen Stret with Saturday shopping," says Frank Carter, current CABA president.

The Auckland City Council has already agreed that city carpark buildings will be available free during Saturdays. "The cars that took them out to the suburbs will bring them back," says Carter.

The shopkeepers have agreed on three key issues with workers for Saturday morning work:

- On Saturday they will employ only those staff who want to work;
- They will give those employees who want to work first choice;
- They will reserve the right to fill any staffing gaps with part-timers.

Manufacturing

Sewing up licence deal reverses clothing trends

GOOD news at last from the depressed garment manufacturing industry....

That's the message being spread by Wellington-based menswear manufacturer Rembrandt Suits after signing a licensing deal with the world's largest manufacturer and retailer of "quality men's clothing".

Clothing Workers' Union secretary Frank Thorn agrees: "We're delighted to hear this sort of news".

The agreement gives Rembrandt, regarded as an aggressive market leader by the New Zealand industry, Australasian rights for the Sansabelt range of sports trousers owned by the United States company, Hart, Schaffner and Marx.

Rembrandt, according to marketing manager Don Neely, hopes the news will help revitalise a reeling clothing industry which has seen more than 2000 jobs lost in the North Island alone over the last 18 months.

The American company approached Rembrandt about a licensing agreement for Australasia.

It operates 19 international licence agreements throughout Europe, Asia and South America, and its coming to New Zealand first, rather than Australia, is regarded within the industry as a coup for local manufacturers.

Already, the New Zealand company has been approached by Australian interests regarding marketing in their larger market.

But Rembrandt is playing a cautious game. The range of sports trousers — featuring a distinctive patented webbing band at the top — will be launched in the New Year for delivery in the middle of 1981 on the New Zealand market.

The company, said Neely, will test the local waters before making a commitment to the Australian retailers.

While patterns will have to be altered to suit the more conservative New Zealand taste, Hart, Schaffner and Marx will supply marketing input for the local launch. The company's sales for 1979 were $630,751,000.

Rembrandt, said Neely, is not anticipating the need for new plant to manufacture the new range, at least for the New Zealand market.

There is no planned increase in staff, either. But Neely noted that staff figures have been "steadily increasing" over the last four years and the Naenae factory now employs over 100 people.

The news reverses the recent trend towards redundancy and clothing union secretary Thorn has promised union support: "We'll do everything we can to support them".

Silver linings ahead . . . Ralph Kaufman of Hart, Schaffner & Marx (left) concludes the licensing deal with Paul Veltman, managing director of Rembrandt Suits.

He added: "If the Government had helped develop and encourage the industry along these lines, the restructuring — and we see some sort of restructuring as inevitable — would have been much smoother."

Rembrandt obviously agrees with Thorn and is hoping that behind every trouser leg is a silver lining.

Transport

Takeover bug resurface in road

THE rationalisation bug has bitten Wellington's road transport industry . . . again.

ASC-Flowers Ltd has taken over the city, general and customs agency divisions of Cameron Transport Holdings Ltd, a company owned by the Mogal Corporation since its takeover of Brambles Burnett Ltd.

Flowers operated a fleet of 41 trucks in Wellington which has been enlarged by the addition of 20 Cameron-owned vehicles and the company's owner-drivers. Flowers also operates 12 vehicles from Palmerston North.

Three redundancies are expected to result from the merger, at this stage.

Brian Flowers, the managing-director of ASC-Flowers and a director of Mogal, said that the final price of the deal had not yet been worked out. The move, he said, was a further rationalisation of Wellington's over-serviced transport industry and his company has taken over the lease of the Cameron office and workshop facilities at Kaiwharawhara.

"We decided to go ahead with the move on Thursday October 30, the staff were informed on Friday, and we were in business on Monday," he said.

The Cameron construction and heavy haulage operations are still owned by Mogal and will operate from a depot at Petone.

This move is the latest in a series of changes, based around the Cameron organisation in 1976. Cameron Construction Services Ltd acquired the heavy haulage licences formerly held in Wellington by a Freightways subsidiary. Cameron Construction was jointly-owned by John Cameron, the firm's founder and managing director, and Brambles.

Cameron Heavy Haulage Ltd was formed as a joint-venture between Cameron Construction Services Ltd and Freightways Holdings Ltd.

In 1979, Cameron Transport Holdings Ltd was formed to merge the activities of Cameron Construction Services Ltd, Cameron Heavy Haulage Ltd, Freightways Road Services Ltd and Brambles Griffiths Transport Ltd.

Shipping

Cartels line up to battle anti-trust demands

by Warren Berryman

MEMBERS of the shipping cartel serving the Australasia-United States trade have taken legal steps to avoid supplying information on cartel activities demanded by the United States Justice Department's Anti-trust division.

Shipping sources here and Justice Department sources in Washington DC fear the legal battle may be long and costly.

The Anti-trust Division is investigating an alleged "conspiracy to restrain and monopolise trade in ocean transportation of commodities between the United States and Australia and New Zealand by resort to boycotts, reciprocal dealing and predatory pricing".

In short, the Anti-trust Division is interested in how the shipping cartel and the New Zealand Wool Board excluded the non-conference shipper, Ace Lines, from the trade in 1978 (*NBR* July 28).

The Anti-trust Division sent civil investigation demands (CIDs) to the New Zealand-United States rate-agreement cartel and its members, Columbus Lines, Blue Port (ACT), Farrell Lines, and ABC Containerlines.

Penalties for failing to supply required information range from a $5000 fine to five years in jail.

New Zealand passed legislation to prevent information going from this country to the Justice Department. In effect, this protected the Wool Board.

Justice Department sources in Washington say that while they understand New Zealand's position, they would be very happy if this country saw it in her interest to make details of the Wool Board's dealings with the cartel available to the division — if for no other reason than to help the division reach a balanced verdict — all parties interests considered and understood.

The hastily introduced legislation here did not protect the shipping companies from the Justice Department's demands because they all had offices on American soil.

The shipping companies applied to have all their cases heard in one court, but were turned down.

Now there are three separate sets of appeals against the CIDs in Washington, San Francisco, and New York. The Anti-trust Division is fighting all appeals.

Appeals against having to supply information are being argued on three major grounds:

- The Norr-Bennington doctrine under which a petitioner may go to Government asking for anti-competition restraints to be imposed and the act of going to Government cannot be the basis for prosecution under the Anti-trust Act. Presumably, in this case, the cartel members might argue there was nothing wrong with the act of asking the Wool Board to throw Ace Lines out of the trade.
- The Act of State doctrine under which one cannot inquire into the motives of a foreign sovereign, (whether the American courts will consider that the quasi-governmental Wool Board to qualifies as a foreign sovereign or not should be an interesting legal point).
- That the CIDs are *ultra vires* because the Anti-trust Division jurisdiction does not extend to this sort of matter which is the proper responsibility of the Federal Maritime Commission.

The FMC looked at the Ace Line case in 1978 but did nothing about it.

FMC is made up of five political appointees. This body is not known for its independence from political or commercial pressure. It is known for its pro-shipping conference stance.

Regardless of who wins or loses in the courts, a major consideration for the shipping companies is the cost of litigation. American courts are very expensive, and this sort of action can drag on for years.

The legal actions against the United States-Europe shipping cartel took three to five years to resolve. The total legal bill was estimated at $30 million.

The shipping cartels have a unique position in American commerce. If any two non-shipping businesses in the United States conspired to rig prices, eliminate competition, or restrain trade they would be up against the Sherman Anti-trust Act, facing penalties as stiff as three years jail and $100,000 fine for individuals and fines up to $1 million for corporations.

But shipping cartels are allowed to agree on non-competitive uniform freight rates — so long as these rates are registered with the FMC and so long as the cartel is open to outsiders joining in this rate agreement. Open conferences are allowed. Closed conferences are not.

This unique position in American commerce dates back to the Alexander Congressional Committee and the Shipping Act of 1916. The Alexander Committee argued that without conferences there would be destructive competition, leading to monopoly.

The FMC, which regulates shipping to and from the United States, is seen to be largely in agreement with the findings of the Alexander Committee.

The Anti-Trust Division is more interested in maintaining competition. According to one senior Anti-trust Division official (who did not wish to be named): "We're a thorn in the side of the conferences. The conferences are only there to push the rates up . . . we contemplate pressure on conferences from independents. We see them as a necessary check versus the conferences".

This same official complained "that the United States was a lone voice in today's world, arguing for more competition not less. The United States has reviewed its shipping policy over the last two years, but we had to realise the international community favours a stronger conference.

"For the United States to act unilaterally to abolish the conferences, is highly unlikely".

Law

Property bill rests in Justice Minister's court

by Jack Hodder

AMID the recent mind-dulling flood of end-of-year legislation has been one short amending bill of major social significance: the Matrimonial Property Amendment Bill. The Bill is designed to modify the law as stated last year by the Court of Appeal but raises more questions than it answers.

The Court of Appeal's decision in *Reid v Reid (1979) 1 NZLR 572* was discussed in this column at some length last year (*NBR*, September 5 1979). It may be recalled that the Court of Appeal held that s8(e) of the Matrimonial Property Act 1976 ("Matrimonial property consists of . . . (e) . . . all property acquired by either the husband or wife after marriage . . .") prevails over, indeed renders superfluous, s9(2) (". . . all property acquired our of separate property, and the proceeds of any disposition of separate property, shall be separate property").

The significance is, of course, that upon the breakdown of a marriage "matrimonial property" is subject to the strong presumptions as to equal sharing contained in the Act, whereas "separate property" stays undivided in the hands of the spouse who owns it.

In practical terms the Court of Appeal ruling means that, in a not untypical case, business assets created and accumulated by the singular skill of a husband after marriage will be divided upon the marriage breakdown in terms of the Act. At best, it seems, the division of such business assets will be 60:40 in favour of the husband.

But the ruling also means that "separate property" is a very endangered species. The three appellate judges made it clear that if separate property (let us assume it is 10,000 brewery shares inherited by a wife prior to the marriage) is realised during the marriage and the proceeds placed in a new investment (in 10,000 forestry shares, say) then the assets become matrimonial property. If the marriage were to breakdown, our hypothetical husband might be entitled to 5000 of the forestry shares.

It is that situation which the Matrimonial Property Amendment Bill is aimed at. It proposes that paragraph (e), relating to "all property acquired by either the husband or the wife after the marriage", would be expressly subject to the rule as to separate property and its proceeds contained in s9(2) and set out above.

However, a new paragraph (ee) would prevail over s9(2); it relates to "all property acquired after the marriage for the common use and benefit of both the husband and the wife out of property owned by either the husband or the wife or both of them before the marriage or out of the proceeds of any disposition of property so owned".

The effect of the Bill is that business or investment assets owned by one spouse will only become "matrimonial property" (and thus subject to the Act upon breakdown) if they can be shown to have been (1) acquired out of property owned by one or both marriages before the marriage or the proceeds thereof and (2) acquired for "the common use and benefit" of both spouses.

Thus the Bill appears to protect both the investor spouse who rearranges his or her portfolio and also the inventive spouse who builds up business assets from scratch (for example, not using any property owned prior to the marriage) during the marriage.

It is interesting to noted that the effect of the Bill is very close to that of the present s8(e) as interpreted by Mr Justice Quilliam in the Supreme Court in *Reid v Reid* (but over-ruled by the Court of Appeal). In the latter Court, Mr Justice Woodhouse observed that the Supreme Court interpretation would put the whole of the "business" assets of the husband beyond any claim by the wife and would clearly restrict very greatly the opportunity of any spouses to share in property acquired after the marriage and held by only one of them. Those observations must equally apply to the new Bill.

Similarly, Mr Justice Woodhouse's point that the Supreme Court interpretation would make it possible for a spouse to act unilaterally to put specific assets out of the reach of the other spouse and defeat the basic equal sharing concept of the legislation must apply to the new Bill.

The Bill is designed to apply to cases heard after October 28 1980 (the day the Bill was introduced). That commencement date raises two questions. First, given the fairly well known fact that an appeal to the Privy Council is pending in *Reid v Reid*, why was the Bill not delayed until the final judicial word had been obtained? Second, if the Bill is too important to await the Privy Council's decision (which, admittedly, may be some time away), why did it take 14 months to introduce the present Bill which merely rectifies a situation made quite explicit by the Court of Appeal in August 1979?

Following on from the latter question is a further query: If there has been 14 months since *Reid v Reid* (and 44 months since the Act came into force) to contemplate amending legislation, why have other defects in the Act not been dealt with in the Bill?

The deficiencies of the language used in many parts of the Act have attracted unflattering judicial comment on many occasions. Two of the most obvious areas in need of change relate to matrimonial property in the context of joint family homes and in the context of the death of one spouse.

The joint family homes point may be illustrated by *Illingworth v Illingworth (Barker J, Supreme Court, Auckland, M 837/77; 8 June and October 5 1979)*. There, at the time of marriage, the wife owned a house and the husband had signed an unconditional agreement to purchase an expensive apartment.

After the marriage, the apartment was registered as a joint family home, sold, and the proceeds applied in the purchase of another (more expensive) home. It was held that the fact of registration as a joint family home meant that the wife was entitled to half the "matrimonial home" notwithstanding the fact that (i) the marriage lasted only 2½ years, (ii) she contributed no money towards that home, and (iii) she retained her own house throughout.

The need to review both the Joint Family Home and the Matrimonial Property Acts was noted in the Justice Department's 1979 annual report but has taken no more tangible form to date.

The 1976 Act only applies during the joint lifetime of both spouses. If one spouse dies before proceedings in respect of matrimonial property are commenced then those proceedings are decided in terms of the old 1963 Act and, for that purpose, the repealed 1963 Act is deemed not to have been repealed!

Under the 1963 Act the very strong presumptions as to equal sharing found in the 1976 Act do not apply and wives receive considerably less generous awards than would be the case if their proceedings were against living husbands. The dual jurisdiction is both bizarre and unjustifiable.

All of which leaves the ball very much still in the Minister of Justice's Court.

Continuing arena for discussions with Australia

THIS survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

THE first round in a series of industry-to-industry discussions between the Plastics Institute and its Australian counterpart is scheduled to take place in Auckland next Monday.

The meeting, to coincide with a Nafta working party meeting, was agreed to by the Plastics Institute of Australia (PIA) at the Nafta conference held in Hobart during September.

PINZ executive director, Bruce Dunlop, said the meeting signified the willingness of the PIA to continue with an exchange of industry information.

PINZ and the PIA have maintained established lines of communication for some years to discuss issues which were appropriate to the plastics industries on both sides of the Tasman. One of the most recent examples has involved the environmental compatibility of plastics and materials recycling.

Dunlop said the principles of industry-to-industry discussions had been endorsed by the Government and were, in fact, discussed at the September Nafta talks.

The PIA was enthusiastic about industry-to-industry discussions and it was generally agreed that the talks should initially be used as an arena for resolving clearly indentifiable problems in respect of the industry.

It was suggested that the talks might also be used as a forum for discussing industry rationalisation, something the New Zealand Government holds dear to its heart.

Dunlop said the Government's view on the overall industry discussions proposal seemed to be that a time limit should be placed on the discussion process.

The New Zealand Manufacturers' Federation has said that unless significant progress is made within six months then matters under discussion should be left for resolution at Government level.

Dunlop is confident that significant progress will be made with the PIA in sorting out trade reciprocity and other problems particular to the plastics industry.

The plastics industries' discussions are to be conducted within the overall frame of the closer economic relationship agreement (CER), should it be adopted.

The Government and the New Zealand Manufacturers' Federation consider that industry-to-industry discussions should be addressed to establishing correct records of trade statistics, determining the conditions under which trade between the two countries should be increased, and how increased trade should be allocated between the existing tariff lists.

"While the topics for discussion are very broad, some specifics relating to plastics will be introduced within these parameters," Dunlop said.

"Initially, these will particularly concern the requirements of the local plastics industry, as it appears, with a couple of major exceptions, the Australians are relatively happy with the present trading situation."

The principle complaints of the Australian industry appear to be based around the raw materials question — locked into Australian petro-chemical production. New Zealand processors can source world-wide, duty free and exempt from import licensing.

New Zealand's export incentives scheme does rankle them, but that question will be more appropriately handled by the Nafta working party in context with fiscal support mechanisms, Dunlop said.

He acknowledged that the industry-to-industry discussions would have to deal with six basic questions:

- The need to retain access to plastics raw materials at internationally competitive prices;
- The need to retain a stability in the raw materials supply situation;
- The effect of tariff phase-out and import licensing liberalisation on companies which operate by hiring and leasing moulding dies from Australia;
- An analysis of freight costs, both internal and external, for both raw materials and finished products;
- Market size and the question of whether or not an increased market would result from any liberalisation of trade;
- A discussion of the disparity in production scale between the two countries.

Dunlop said that during recent discussions with the PIA it became clear that it was enthusiastic about the proposed rounds of talks.

He said that if the industry did not resolve specific issues the respective Governments would step in and do it for them.

Leadership ensured

A $750,000 investment in sophisticated machinery will give Auckland-based Transpak Industries Ltd the first five-layer co-extrusion blown film line in the country.

Transpak has, for the past 15 months, carried out extensive trials to select the most effective plant addition to ensure the company maintained its leadership in specialty co-extrusion. Part of the new line is already installed and the five-layer process will be fully on-stream early next year.

The company believes that their situation is unique in the Southern Hemisphere.

Transpak pioneered two and three layer co-extrusion in this country and the production facilities will be maintained, along with the five-layer installation. The company maintains that the total line represents a combination of the finest facilities to be found in the United States and Europe.

Having expanded several times since their formation 10 years ago, Transpak plans to further enlarge its complex to 70,000 feet to house its latest addition.

Some of the structure which Transpak intend to introduce next year will be world "firsts", the company maintains. New Zealand manufacturers, exporters and food primary product processors in particular stand to benefit. Premium type speciality plastic film will be available at costs which will be competitive with the more traditional laminated film structures.

Among the product advantages expected will be exceptionally high oxygen and moisture barrier properties, improved sealing and adhesion performances.

Transpak constructed a laboratory extruder in order to develop and test individual layers which will comprise parts of its five-layer extrusions. This development facility is expected to provide major changes in the automatic packaging of solids and liquids.

A wide range of raw material combinations can be scientifically checked and their performance measured to obtain optimum results for food and industrial flexible film packaging.

Bottlers switch to PET production for beverages

COCA-Cola Bottlers (Wellington) Ltd has launched a new packaging medium for its carbonated beverages.

This month the company introduced a new two-litre soft drink bottle made from polyethylene terephthalate (PET) to the Wellington region. In later months other independent bottlers of Coca-Cola will switch their production to the PET bottle.

In a comprehensive document explaining the rationale for the introduction of two-litre plastic containers for carbonated beverages, the company maintains that research has proven consumer preference for soft drinks in a large bottle.

The company says a combination of inflation and rising prices has produced a decline in the volume of soft drink sales.

The industry has been particularly hard hit by taxation and raw material price increases during the past year. These circumstances have led the company to look towards a more economic package for its product.

According to Coca-Cola Bottlers (Wellington) general manager, Roy Pottinger, the move is supported by a sustained shift in consumer preference for larger packages of the product.

To test consumer preferences, the company commissioned an independent market research study to identify the most acceptable size of soft drink container for the local market.

The results of the survey showed that 80 per cent preferred a two-litre bottle to buy large quantities; and 83 per cent of females and others most responsible for grocery shopping expressed highest preference for a two-litre bottle.

Pottinger said the choice of material for the larger bottle was only made after:

- Extensive research into consumer acceptability;
- The impact of the new-type bottle on the main litter stream;
- The economies involved in its production and use.

"Everything pointed towards the use of PET as fulfilling our considerations in each of these areas," he said.

PET packaging was developed in the United States after eight years of intensive research and development. It is now commonly used, with success and market acceptance, in the United States, Europe and Australia.

The package and its formulation have received approval from the Food and Drug Administration of the United States Department of Health and comparable government agencies in other countries where it is used.

The introduction of the two-litre sized PET bottle here provides a shatter resistant, lightweight, safe and environmentally compatible take-home bottle, the document says.

The PET material has a high purity record, proven in more than 20 years of food packaging, and its use is energy efficient. The material offers good re-cycling potential.

Pottinger said that research carried out by the Litter Control Council when the 1.25 litre no-deposit glass, soft drink bottle was introduced in 1977 was more than applicable to the introduction of the PET bottle. At that time the Litter Council showed that a larger soft drink bottle, while catering for a substantial and growing consumer demand, had negligible effects in environmental terms.

"The two-litre PET package has been introduced to fulfil a home consumption demand, and is most likely to be purchased by housewives. This factor ensures that the disposal of empty bottles will be through the normal domestic waste disposal channels," he said.

"Experience in Australia, where PET has been on the market for about two years, supports this. Studies there, have shown only a minimal contribution to litter counts."

PET bottles will also have a minimal effect on the volume of domestic waste. They can be crushed and conveniently disposed of in normal domestic waste stream he said. PET is most likely to end up in landfill tips or in incinerators. Where the crushed bottles are consigned to tips their reduced volume will not increase the rate at which the tips fill.

"Because they are non-Biodegradable — as is the case with present more dangerous glass bottles — the PET bottles pose no environmental threat to landfill disposal situations.

"Vegetation and polyester do not affect each other, and so the PET bottles can be expected to help with landfill reclamations by adding a stabilising factor to the finished rubbish tip area."

Germans impressed by standard of technology

A BUSY one-day stop-over by a delegation of West German plastics manufacturers' representatives may pave the way towards closer technological ties between the two countries.

The stopover, arranged as part of a world-wide of plastics industries (including a visit to the plastics show of Canada in Toronto) gave the delegation a chance to see, at first hand, the level of technology employed by local plastics manufacturers.

Tour group leader Klaus Nagel, a member of the Society of German Engineers, said the group was impressed with the high levels of technology employed locally.

He said that while technological development progressed at an extremely fast pace, New Zealand manufacturers were utilising some of the most advanced plant and equipment available.

Nagel said the group would try, in the short time available, to gain an appreciation of different aspects of industrial development here and seek some direction for industry co-operation between plastics manufacturers in both countries.

Klaus Nagel . . . gaining an appreciation

While the group was in Wellington they paid a courtesy call on the Customs Minister, Hugh Templeton.

PDL wins award for 'quite remarkable' exports

PDL Industries has received the Tanya Ashken sculpture as the winner of the Plastics Institute Export Award, sponsored by the Union Steamship Company.

Overseas Trade Minister, Brian Talboys, said the success of PDL Industries on the exporting front was "quite remarkable".

The company took the award, from five other entries, for its achievements in manufacturing and marketing a range of electrical accessories which could not be sold here, in Australia or the Pacific region.

Sales of the electrical accessories during the 1979-80 year totalled $1.9 million, compared with export sales of $650,000 in 1977 when the company first began manufacturing the componentry.

Talboys described the company's export operation as an ambitious project, and one which involved considerable risk because of the restricted market.

The components are made to British standards to compete with those made by British manufacturers.

PDL group general manager Don Sollitt said the project was a high risk commitment for the company because of tooling costs and marketplace restrictions.

The product range has to be aesthetically competitive and cost engineered to compete with companies with product throughput of as much as 15 to 20 times PDL's current local production.

Future sales of the electrical accessories should be even better as PDL intends to complete the range by adding another 18 products.

This will give the company a range as comprehensive as that of any of the British manufacturers with which it competes.

The company exports its electrical accessories range to the Middle-East, Africa, Hong Kong, Singapore and China.

Brian Talboys . . . congratulates general manager Don Sollitt

Bannigan's business supplies product to its Melbourne parent

A YEAR ago Melbourne-based electrical appliance manufacturer, Frank Bannigan, began looking across the Tasman for business opportunities. Now, Bannigan's Kambrook factory in Auckland employs 32 people and supplies product for the local market and export.

To Frank Bannigan this country represented a market as large as New South Wales. But there was more than just a state line to cross to access it.

That the factory was built and operating within six months, is a commentary on the ability of private enterprise and Government agencies to work together.

Kambrook Manufacturing (New Zealand) Ltd despatched five containers of product to its parent in Melbourne last month. Within hours of it being received the content of each container was being distributed around Australia.

The Kambrook operational philosophy, developed by Bannigan, is based on volume — by keeping prices down and volume up, modern plant can be utilised at the efficiency rating for which it is designed.

Kambrook's Glenfield factory reflects this. Two Netstal Sycap, closed loop control injection moulding machines, currently work 24 hours a day supply to the componentry for a conveyor served, air drive assembly line.

General manager for Kambrook, New Zealand, Mike Worthington, says the Swiss machines are the most modern in Australasia.

"Our wastage factor is very low. Once these machines are set up their computerised control systems monitor performance — temperatures, pressures, everything is looked after automatically so that we can run at optimum efficiency.

"We are producing four products at the moment, but this is about to be increased to eight and we also expect our staff to increase from 32 to about 50 people," he said.

The operation has attracted a considerable amount of attention here and in Australia. "While we have appreciated the publicity it has also caused us a bit of embarrassment. The fact that we have moved pretty quickly is being held out as an example to others. We have never suggested that anyone should compare us with anyone else," he said.

Part of the attraction of the Kambrook story is Frank Bannigan. He is quite unashamedly the Outback boy who came to the Big Smoke and made good.

He started in business at the age of 17 in Broken Hill rewinding electric motors. He moved to Melbourne to work and eventually started Kambrook, (the name is taken from the name of the street where he had his first plant), in 1964 with a capital investment of $3000. Last year he had a turnover of $15 million and this year expects to top $25 million.

Frustrated future

THE bright future expected for the plastics industry could be jeopardised by lack of commercial experience among Government officials.

That was the message delivered to the South Island branch of PINZ by its president, Mervyn Restall.

Restall said considerable input, on a national front, had been given to the Industries Development Commission's study of the industry. An evaluation of this information will form a blueprint for the industry's future efficient development.

"The various views submitted by our member-companies have been considered in sector groups and thoroughly presented to the commission, which in turn, has conducted extensive and worthwhile public hearings on each of the sectors," he said.

"The integrity of those who stand on this commission under the chairmanship of Ted Tarrant, is without question. The co-operation they have demonstrated throughout the study has been invaluable to us.

"But, while we have faith in the ability of the IDC to produce a fair, and balanced report with positive recommendations that will contribute to the future growth and development of our industry, the critical period for us is when the IDC's recommendations are analysed by Treasury and Trade and Industry Department Officials with a view to their implementation."

Restall maintained there was then a great danger for the intent of the IDC's recommendations to be lost and its suggested plan for the industry to be implemented piece-meal to the disadvantage of both the industry and the national economy.

He said the IDC has gained a near-complete understanding of the plastics industry, its problems and expectations, through direct industry involvement.

But the Government departments, which on the face of it have the final say in any restructuring have no real understanding of any of these, he maintained.

"It seems suicidal, that the future of any industry can be entrusted to these people," he said. "They are unqualified to draw conclusions on any industry by virtue of their lack of commercial experience on the one hand, and their lack of any in-depth involvement with industry on the other."

Restall said the IDC is currently considering a request from PINZ to allow discussion of its draft report before it is presented to Government.

Shrinkwrap for all products

A NEW range of "L" bar sealers for shrinkwrapping all types of products has been introduced by Chemby Engineering Limited of Auckland, manufacturers, for more than 16 years, of a wide range of shrink, stretch and general packaging machinery.

The Chemby Series 8000 range comprises semi-automatic, manual and magnetic hold-down machinery.

All models are available with a variety of options for sealing size which cover 500mm × 500mm, 500mm × 700mm (the standard size), 700mm × 700mm, 700mm × 900mm and 700mm × 1100mm and can be used in many different food packaging applications.

All the machines in the range are fitted with a special film perforator to ensure complete venting of the air surrounding the product during the shrinking process.

The semi-automatic version features adjustable film cones and film support brackets which will carry up to a 600mm wide × 350mm diameter film roll, a built-in film over-run brake, fully adjustable loading tray, a sealing platform and automatic outfeed conveyor, an automatic temperature compensator to eliminate heat build-up in the seal bars and a magnetic hold down which is automatically time controlled.

Anti-litter bag supplies

TRIGON Plastics Ltd of Wellington has won a contract to supply one million car litter bags for a comprehensive anti-litter campaign being undertaken by the Litter Control Council.

A spokesman for the council told *NBR* that a litter bag in every car has been the council's aim for a long time. Now, with the backing of oil companies and the Motor Trade Association, it could become a reality.

Trigon is producing the bag for the council to distribute through service stations. They will be available to motorists free of charge over the Christmas holiday period.

The posters which have been specially designed for the campaign and the bags will carry the theme being used in all the council's current advertising — "New Zealand — too lovely to litter".

National radio and television advertising, in support of the campaign, is due to begin mid-December and will continue through the holiday period until early January.

The council sees this as the first phase in a three year programme aimed at educating the travelling public against littering.

Phase two, to be introduced during the same period next year, will expand on the litter bag and will include decals, flags and other promotional material to reinforce the message.

It also hopes to introduce more litter receptacles to service station forecourts throughout the country.

The third and final phase, during the 1982 Christmas period, will continue the theme and also provide fully serviced litter receptacles at all service stations.

Colours indexed

THE plastic film industry has taken a major co-operative step in producing a handbook of standard colours for printing on plastic.

Until the Flexible Packaging Association (FPANZ) produced the booklet there was no standard index of colours available for customers to consult.

The booklet was produced by FPANZ after industry-wide investigation, co-operation and consultation.

"It's going to help all of us in the industry, and everyone was pleased to see it come to fruition," says Mainguard Packaging Limited's marketing manager, Ian Ristrom, who helped in the preparation of the handbooks.

"Like other firms we used to have the problem of customers often being unable to tell us exactly what colour they wanted, but now all they have to do is quote the number and we do the rest."